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Realism is wrong
War, peace and democracy
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World Business Newspaper
THURSDAY DECEMBER 28 1995

Turkish leaders urged to resolve political turmoil

Turkey's business leaders demanded a rapid solution from politicians to the turmoil resulting from Sunday's election in which the Islamic Refah party became the largest single party in parliament. Employers said the Refah vote was a warning to the secular parties "to change their ways and adopt e new political understanding to deal with Turkey's problems". Page 10; Editorial Comment, Page 9

$1.2bn Canary Wharf sale goes ahead:

The £800m ($1.2bn) sale of the Canary Wharf development in London to e consortium of US and Middle East investors led by its original developer Paul Reichmann (left) has been completed despite the reported withdrawal of one of the consortium's biggest members. However, the consortium was unable to persuade former senior government civil servant Sir Peter Levene, who masterminded Canary Wharf's recovery since its collapse in 1993, to stay oo as chairman and chief executive. Page 11

Sarajevo withdrawal on schedule: Bosnian Serb and government forces were withdrawing from checkpoints in Sarajevo in accordance with the first deadline of the Dayton peace agreement, Nato officials said. Page 2

Forte, the UK hotel and restaurants company fighting a takeover bid from Granada Group, agreed to sell its roadside businesses to UK brewer Whitbread for £1.05bn ($1.6bn). Page 11; Lex, Page 10

Swiss satisfied with their lot: The Swiss are the most satisfied workers in Europe and the British among the most dissatisfied, according to e survey of European employees' attitudes to their jobs. Page 10

Kobe quake lifts damage bill: Natural disasters caused e record $180bn worth of damage this year – mostly due to the Kobe earthquake in Japan – but the cost to the insurance industry has been less than in previous years, Munich Reinsurance, the world's largest reinsurance company, said. Page 11

Stet, the Italian state-cootrolled telecommunications group, said it was still interested in buying e 25 per cent stake in Russian telephone company Sviazinvest, despite an official Russian notice that the deal was off. Page 2

FDA to approve new drugs: The US Food and Drug Administration, which controls the sale of medicines in the US, is likely this week to grant approval for a batch of six new drugs in its traditional tidy up before the new year. Page 12

Tradepoint, the rival to the London Stock Exchange launched in September, got off to a slow start with only 10 to 15 trades per day compared with about 30,000 on the stock exchange. Page 4

Cuba plans faster recovery: Cuba has unveiled a new-look economic plan for 1996 which aims to increase the pace of economic recovery through an expected rebound in depressed sugar production and higher revenues from the growing tourist industry. Page 3

Bayer, the German chemical company, will cut its German workforce by about 1,000 next year as part of its efforts to become more competitive and profitable. It said there would also be employment reductions abroad. Page 12

Indonesia approves record investments: Indonesia announced record annual foreign investment approvals of $39.9bn for 1995 and said the prospects for next year were bright. Page 3

Rocket attack on armoured van: Robbers attacked an armoured security van with a rocket launcher and machine-guns in Lesquin, northern France, killing one of its crew and wounding two others before escaping with a large sum of cash.

Seoul store owners jailed: A father and soo who owned e Seoul department store that collapsed in June, killing more than 500 people, were jailed for 10½ years and seven years respectively.

England lose ground in test: England were 40 for one in reply to South Africa's total of 428 after the second day of the fourth cricket test at Port Elizabeth.

Futures tables: Financial futures and options tables on pages 16, 17 and 22 were not fully updated for this edition because of technical problems at the Liffe exchange.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5116.04	(+5.78)
NASDAQ Composite	1047.75	(-1.62)
Europe and Far East		
CAC40	1877.03	(+10.36)
DAX	2260.43	(n/c)
FT-SE 100	3676.4	(+18.1)
Nikkei	20,011.76	(+107.04)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.013%
Long Bond	111⅜
Yield	6.003%

OTHER RATES

UK: 3-mo Interbank	6⅞%	(6⅞%)
UK: 10 yr Gilt	107½	(106⅜)
France: 10 yr OAT	107.72	(107.27)
Germany: 10 yr Bond	103.24	(102.67)
Japan: 10 yr JGB	111.63	(112.90)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$18.355	(17.98)

GOLD

New York: Comex		
(Feb)	$387.7	(388.2)
London:		
close	$387.25	(387.4)

DOLLAR

New York: lunchtime		
£	1.5595	
DM	1.4315	
FFr	4.8945	
SFr	1.1636	
Y	102.75	
London:		
£	1.5605	(1.5415)
DM	1.4313	(1.4402)
FFr	4.8975	(4.9412)
SFr	1.1635	(1.1614)
Y	102.77	(102.50)

STERLING

DM	2.2334	(2.22)
Tokyo close:	Y 102.62	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lev110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Cut taxes to stave off job losses, Bonn is told

By Judy Dempsey in Berlin

Germany faces higher industrial unemployment in the new year, with 90,000 job losses in construction alone, unless incentives to industry are created by lower taxation and redнced labour coets, economic institutes and industrial bodies warned yesterday.

The separate warnings from the Institute for German Economy (DIW), the HDB construction industry federation and the Chamber of Industry and Trade, suggest unemployment will be the single most important domestic challenge facing Chancellor Helmut Kohl's conservative coalition in the coming months.

Unemployment is running et 9.6 per cent – about 8.5 per cent in west Germany and over 14.3 per cent in east Germany.

The warnings reflect concern that the economy is slowing. Last week, the Munich-based Ifo economic research institute said it expected growth to slow to 1.75 per cent next year from 2 per cent in 1995 – less than three months ago it predicted 2.25 per cent growth this year rising to 2.5 per ceot for 1996.

The threat of higher unemployment and slower-than-expected growth comes as the government is bracing itself for three state elections in March. The opposition Social Democrats are seeking to make unemployment one of the main election issues and are expected to exploit the pessimistic forecasts.

Mr Kohl's Christian Democratic Union still enjoys wide popularity, but the liberal Free Democrats, the coalition'e junior partner, is divided, weak and proving an unstable ally for the government which has only e 10-seat majority in the Bundestag, the lower house of parliament.

In its annual end-of-year survey, the Cologne-based DIW, which is close to industry, ehowed that 27 of 41 industrial sectors surveyed were planning further job cuts in 1996 to reduce high overheads.

It said the strength of the D-mark, coupled with growing international uncompetitiveness and high labour costs, left them little choice but to press ahead with redundancies as one of the few ways to make savings.

Heavy job losses are expected, particularly in the construction industry. Although this sector has enjoyed strong growth over the past five years, fuelled by the extraordinary building boom in eastern Germany, tha HDB yesterday confirmed what economists were predicting three months ago: the construction

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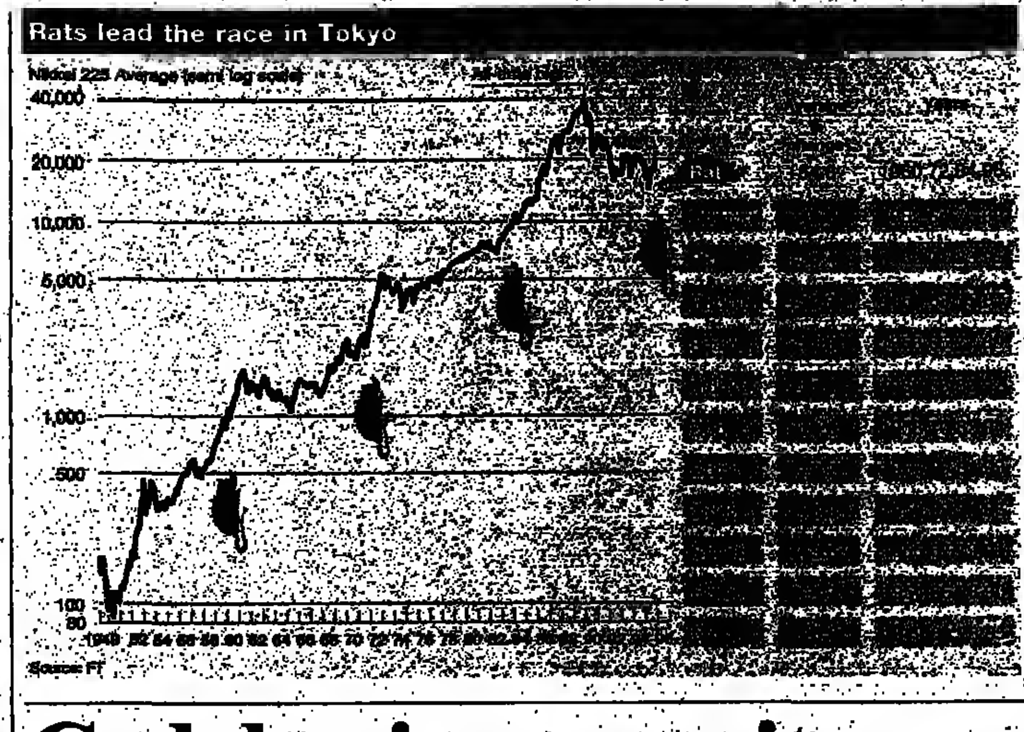

Source: FT

Codelco issues writ over market losses of $170m

By Imogen Mark in Santiago and Kenneth Gooding in London

Metal exchange prices ....Page 15

Chile Copper Corporation (Codelco) is planning legal actions against metal brokers in London and New York over $170m of losses it suffered in the London Metal Exchange'e copper market, the state owned group's lawyer in London said yesterday.

The first writ, alleging conspiracy to defraud Codelco, has been issued against Sogemin, the LME trading company owned by Union Minière, the Belgian metals group.

Mr Michel Moser, chairman of Sogemin, yesterday confirmed that his company had received the writ. However, he added: "I can make no further comment at this stage. I must wait until we have consulted our lawyers. That will take a few days."

The losses stem from trades carried out by Mr Juan Pablo Davila, Codelco's former head of futures trading. He was charged last year with fraud against the state.

The Chilean government'e lawyer, Mr Eduardo Urrejola, said in Santiago that "improper payments" referred to in the Sogemin writ were payments made to people in some way connected with Mr Davila.

Mr Davila has denied receiving money from the representative office of Sogemin in Santiago, though Mr Jorge Guerrero, his lawyer, confirmed a brother-in-law of Mr Davila was a partner there and a close friend with whom Mr Davila had had business dealings.

Other LME traders said they were shocked and puzzled by Codelco's action, because it came two years after the copper market turmoil that caused the Chilean group's probleme and because Sogemin was only one of 23 brokers with which Mr Davila dealt.

Mr Tim Parkes, a partner at Herbert Smith, Codelco's solicitors in London, said the Codelco board did not find out about the losses until early last year and then had started an investigation that involved outside specialist accounting and legal advisers and spanned Europe and the US as well as Chile.

"The investigations are continuing and Codelco expects in due course for there to be further proceedings against brokers in both London and New York," Mr Parkes said.

According to Mr Davila, the losses occurred when in September 1993 overwork and stress led him to make an initial mistake in a series of copper forward contracts.

The mistake led quickly to major losses when the price of copper moved against him. Instead of owning up, he allegedly hid the record of his activities from his immediate superiors and tried to play the market to recover the money.

When he eventually confessed in January 1994, the estimated losses had reached $200m. They were subsequently reduced to $174m.

A preliminary report for Codelco into the losses by UK accountants Ernst & Young in mid-1994 said it had found evidence of unusual dealings but none of fraud.

However, Ernst & Young's full report has not been published because it affects the case against Mr Davila.

Good luck rat cheers the bulls as Nikkei hits 20,000

By Emiko Terazono in Tokyo

The Pig has lived up to its pedigree, so bring on the Rat.

Japanese stockbrokers with a sense of the superstitious are gaining confidence now that the Year of the Pig is ending on a high note – the Tokyo market's Nikkei index closed yesterday above 20,000 for the first time in 14 months.

"The pig comes in third," says Mr Yutaka Nakai at Daiwa Securities, who has number-crunched the links between the stock market and the 12 animal symbols of the Chinese zodiac.

There have been three Pig years since Tokyo's stock market reopened in 1949 after the second world war. The Nikkei closed higher than it started in all three of those years, with the increases averaging 30.4 per cent.

Yesterday's 20,011 close was the highest since October 13 1994, and while only slightly higher than last December's close of 19,723, it was 38 per cent above the 1995 low reached in July.

With the Pig running true to form late in the year, expectations are rising ahead of the Year of the Rat, best performer in the zodiac, coinciding with an average annual rise in the Nikkei of 54.6 per cent.

The rat, detested as a pest by Japanese housewives, is regarded as an auspicious animal. It comes at the start of the zodiac and stands for vitality. The rat is also considered lucky since it is a messenger of Daikokuten, one of the Seven Deities of Good Fortune, who bestows and protects wealth.

The second best performer has been the dragon. The ox, on the other hand, has been an unlucky sign for investors. Ox years have recorded an average fall of 8.9 per cent, including a 37.6 per cent drop in 1949. While the ox can stand for stability and knowledge, it also has a negative image, and in feudal times, curses on enemies were placed during the Hour of the Ox.

Astrological animals aside, Japanese brokers and industrial-

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Reformer emerges as leader of Japanese opposition

By William Dawkins in Tokyo

The master strategist of Japanese politics, Mr Ichiro Ozawa, yesterday emerged from the shadows of the backroom to take the leadership of the opposition New Frontier party and launch a fresh campaign to make Japan an "ordinary country".

Once a symbol of old style "money politics", the 53-year-old has reincarnated himself as e political reformer, advocating economic deregulation, a greater international role for Japan and an overhaul of the tax system.

"I feel e very heavy responsibility and a sense of mission," said Mr Ozawa, who easily beat Mr Tsutomu Hata, a former prime minister, in a ballot of the opposition party's membership and the general public.

Japanese business leaders welcomed Mr Ozawa's victory. Mr Jiro Ushio, chairman of the Keizai Doyukai executives' association, said his "clear-cut ideals and polices ... will help Japanese politics progress". Mr Shoichiro Toyoda, chairman of the Keidanren business federation, said the result ehowed "the positive appraisal of the active policy stances of Mr Ozawa".

Mr Ozawa, who until now has been secretary-general of the NFP, is expected to bring a more combative tone to domestic politics. He has called on the ruling coalition to hold a geoeral election soon after next year'e budget passes through parliament in February or March.

He is likely to criticise government policy, especially on banking and finance, more sharply than his predecessor as NFP head, Mr Toshiki Kaifu. Mr Kaifu, another former prime minister, chose not to stand for reelsction and supported Mr Ozawa.

Mr Ozawa seeks a sharp rise in sales tax from 3 per cent to 10 per cent, e more assertive Japanese role in foreign affairs, and domestic political reforms to speed up the government's response to external challenges.

For the first time in Japanese political history, the NFP invited the public to participate in the election, for a fee of Y1,000 ($9.80) per ballot paper. More than 1.5m members of the general public voted, with the remaining votes coming from NFP members and politicians.

Heady victory: Ichiro Ozawa celebrates his successful leadership bid with supporters in a Tokyo hotel last night Reuter

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Italian group denies Russian telecom deal is off

Robert Graham and Chrystia Freeland on why the proposal has run into trouble

Stet, the Italian state-controlled telecommunications group, yesterday said it was still interested in acquiring a 25 per cent stake in Sviazinvest, the Russian telephone company due for privatisation, despite an official Russian notice that the deal was off.

In a statement issued yesterday, the Italian group also denied that the recent Russian parliamentary elections had contributed to the failure to secure a deal as planned by December 22.

The statement said complex legal considerations and the need for adequate guarantees had held up signature of the purchase, whicb would cost Stet $640m (£415m) with a commitment to invest a further $770m.

Despite the Italian insistence on pressing ahead with the operation, Mr Maxim Boyko, head of the Russian Privatisation Centre, said that Stet would no longer be investing in Sviazinvest. He said: "Although it was a difficult decision [to reject the final conditions offered by Stet] it was the right decision and I do not regret it."

Mr Boyko want on to describe Stet's behaviour as "impossible to understand" and he expressed confidence that the shares would be sold next year on terms considerably more favourable than those offered by Stet.

He discounted the political risk in delaying the tender until next year: "I don't think that in the short run the political constraints would prevent the tender from happening."

The Russians objected to last week's demand by Stet thet an escrow account be set up to hold the funds for investment until all the conditions sought by the Italians had been met. Officials argusd that the request showed an inappropriate distrust of the Russian government and unfairly went beyond the terms of the initial tender.

A Russian statement issued on Monday said: "Despite the desire of the Russian government to find a compromise, Stet insisted upon forms of payment that went beyond the conditions of the tender."

But Stet yesterday said thet the company had to be prudent and tha escrow account was intended to demonstrate such prudence. Stet's shares rose 2.2 per cent yesterday on the Milan bourse. Analysts said the markets had regarded the Russian attempt to cancel the deal with scepticism as Stet's offer was some $200m above the nearest bid.

Stet has set five conditions for the completion of the acquisition. The most important of these centres on a clarification of the relationship between Sviazinvest and Rostelecom, the main Russian telecommunications company.

At present Sviazinvest is a holding company for 85 regional telecoms companies in a so far ill-defined role. Stet has not yet been satisfied regarding the role of tbese regional companies or future tariff structure. There are also questions about long distance traffic within Russia and the valuable international telecoms business.

Until now Stet has tried and failed to break into large international telecoms contracts and business. In eastern Europe it has twice been passed over despite higher bids in Hungary and the Czech Republic in privatisation programmes.

It has been left to pick up business in Latin American privatisations, being present in Argentina and latterly Bolivia. Thus, the Russian deal was seen as an important opportunity.

From Russia's perspective, the reformist camp in the government has been anxious to make the telecoms sector a model for state divestment. This was particularly important for Mr Anatoly Chubais, the deputy prime minister and architect of Russian reforms, who was the main force behind telecoms privatisation.

The bold mass privatisation programme which Mr Chubais launched in 1992 earned Russia praise for its swift reforms. But this year, the country's privatisation record had been marred by the second stage which many observers have criticised as a sacretive process, arranged to benefit government insiders.

For the Russian government, the telecoms privatisation was envisioned as an important source of budgetary revenue in 1995. Moscow's urgent need to recover the deficit was one reason the government sought to push through the deal rapidly. However, the government may prefer to proceed at a more leisurely pace now that the urgency which drove the tender has evaporated.

Madrid is basking in international acclaim as it gives up the helm of the Union, writes **Lionel Barber**

Spain steers EU round a rock-strewn course

Despite doom-laden prediction, Spain hands over the rotating presidency of the European Union to Italy at tbe end of 1995 aglow with international praise.

Mr Felipe González, the Spanish prime minister, not only survived a crisis within his governing coalition, he steered the presidency to success at the Madrid summit, where EU leaders christened the single European currency the "Euro" and agreed on a blueprint for its launch in 1999.

Other achievements include a 150-point programme to strengthen EU-US relations; the Barcelona conference on Middle East co-operation; and the Westendorp report, which finessed divisions over reform of EU institutions.

The smooth-running presidency and the pursuit of the transatlantic agenda may also have helped propel Mr Javier Solana, Spain's foreign minister, into the post of Nato secretary-general.

The omens were poor on July 1 when Mr González, stained by charges of Socialist party corruption and complicity in a "dirty war" against Basque terrorists, took charge. Many predicted early elections; many suggested that Mr González, who has led his country for 13 years, had lost his appetite for tbe job.

In the end, an enviable stock of goodwill built up by Mr González among fellow EU leaders, notably his old pal Chancellor Helmut Kohl, was decisive. So was Spanish pride and a collective discipline.

"We Spanisb are the kings of improvisation," says a senior Spanish official, "but we are afraid of improvisation because it often gets us into trouble. So we planned our presidency very carefully."

The transatlantic initiative offers a case study. Originally a Danish Idea, it was refined by Mr Carlos Westendorp, the senior Spanish diplomat wbo has just been appointed successor to Mr Solana.

Mr Westendorp first visited Washington in December 1993, well before it became fashionable to talk about the need to counter populist neo-isolationism in the US Congress and to build a post-cold war agenda to cement transatlantic ties.

The new initiative contains dozens of practical steps such as sharing information on organised crime, killer viruses and humanitarian aid, and further trade liberalisation in areas such as shipping and telecommunications. If the building-block approacb works, it could be more profitable than a US-EU treaty whose time has yet to come.

Mr Westendorp also chaired the high-level group of experts preparing options for institutional reform at next year's intergovernmental conference. He saw off British bolshiness, French hesitations and German idealism, as well as the "fundamentalists" – but it was a close-run thing.

Less than four weeks before the European Council summit in Madrid, his second draft report contained no fewer than 200 reservations or "brackets". When it came to the final text, an Irish diplomat drily suggested that Mr David Davis, the UK representative, might care to put his own signature in brackets.

The Spanish were fortunate to have an experienced team in Brussels led by Ambassador Javier Elorza Cavengt, known affectionally as "Raging Bull" to his colleagues. A hard-driving Basque with a taste for modern photographic art and battlefield quotes from Wellington, Mr Elorza has the special gift of timing.

"He rarely put people in a corner," says one Britisb diplomat. "He knew which dossiers were ripe for agreement and which were best left alone."

Thus the Spanish broke the impasse over a new fishing pact with Morocco, one of the prerequisites for success at last month's Barcelona conference. They were also smart enough to extend its earlier focus on the Maghreb to the wider Middle East, including Israel, in order to bring the Britisb aboard. Tbe price was US involvement in what was supposed to be an EU showcase, but tbe Spanisb overcame last-minute difficulties, including the shock of the assassination of Mr Yitzhak Rabin, Israel's prime minister.

If there were weaknesses, they lay in the Spanisb inclination to clientism in Latin America and occasional lapses into protectionism. Spanisb officials defend the pusb for aid to Cuba as a legacy of tha past – even General Franco was a friend of Fidel Castro. Moreover, the US administration may prefer to see the EU take a lead where it fears to tread because of the Republican majority in Congress.

Mr González also owes a debt to Mr Alexandre Lamfalussy and his team at the European Monetary Institute in Frankfurt, who produced a virtually unassailable blneprint for the launch of the single currency. Mr Pedro Solbes, finance minister, also played an important role, at one point gently pointing ont to the Germans that their drive for tighter budgetary enforcement through a "stability pact" could jeopardise consensus on the Emu timetable.

Mr Peter Ludlow, director of ths Brussels-based Centre for European Policy Studies, says tha Spanisb presidency's achievements underline the importance of the European Council – the biennial summit – as the key decision-making forum in the EU. Despite weak governments, disasters can often turn into triumph, says Mr Ludlow: "Europe succeeds almost in spite of itself."

Handing over the EU presidency

EUROPEAN NEWS DIGEST

Forces pull back in Bosnia capital

Bosnian Serb and government forces were withdrawing from checkpoints in Sarajevo in accordance with the first deadline of the Dayton peace agreement, Nato officials said yesterday. The two sides were due to remove troops and weapons from designated points in and around Sarajevo and mark or remove mines by midnight last night, a week after the peace agreement formally came into force. "It seems to be going very well. As of [this] morning they had already removed 30 of 38 checkpoints," said a Nato spokesman, adding they would have to wait until today to ensure compliance was complete.

The Red Cross yesterday criticised Serbs and the Moslem-led Bosnian government for violating the agreement by denying access to 200 prisoners before they were exchanged. Prisoners of wars in the past have been snbject to allegations of desertion or spying on release. *Laura Silber, Belgrade*

Trial call in Agusta affair

A Rome magistrate yesterday recommended that six people be tried for corruption at the Italian helicopter maker Agusta, according to judicial sources. Prosecutors claim Agusta promised to pay the now dissolved Italian Socialist party (PSI) L100bn (£40m) in return for a L800bn contract to supply the country's police with helicopters in 1992.

The six include Mr Roberto D'Alessandro, a former Agusta president, and Mr Francesco Fusco, the company's former head of external relations. Magistrate Francesco Misiani is also seeking the trial of Mr Mauro Giallombardo, one-time secretary of Mr Bettino Craxi, a former prime minister and PSI leader. A senior judge must now decide whether there is sufficient evidence to commit for trial.

Agusta is at the heart of a separate defence contracts bribery scandal in Belgium which earlier this year forced the resignation of Mr Willy Claes as Nato secretary-general. The company denies any wrongdoing. *Reuter, Rome*

Bulgaria to shut down reactor

Bulgaria will close its controversial Soviet-made number one reactor at tha Kozloduy plant by next May, the country's atomic energy committee said yesterday. The restarting of the reactor in September after seven months of rontine repairs and safety upgrading triggered an international outcry amid doubts over its safety.

"Reactor number one at the Kozloduy nuclear plant will be closed for samples to be taken from the vessel's metal, probably in April or at the beginning of May," the committee's chairman, Mr Yanko Yanev, told a news conference. He said the European Commission would finance the cost of the study – about half a million dollars.

Bulgaria relies on its six Kozloduy reactors, which have a total capacity of 3,760MW, for more than 40 per cent of its power needs. It insists that the 21-year-old reactor is safe. The energy committee said there were plans to upgrade and modernise the four oldest 440MW reactors and and some $200m would be invested by the year 2000. *Reuter, Sofia*

1995: vintage year for French scandals

David Buchan reviews 12 months that a fair number of senior executives might prefer to forget

Top targets (l. to r.): Maner – convicted. Suard – stepped down. Pinean-Valencienne and Beffa – riding the storms

The latest probe by French magistrates into the affairs of the Bouygues empire and family looks like turning 1995 into a vintage year for top executives placed under formal investigation.

After pursuing seven executives of Bouygues, France's largest construction company, over alleged false hilling and tender-rigging, magistrates proceeded to ruin the Bouygues family's Christmas. On December 22 they put the group's bead, Martin, under investigation for illegal funnelling of money via Swiss bank accounts to an ex-mayor of Lyons, and charged his eldest brother, Nicolas, on a quite separate fraud allegation.

This hrings to more than a dozen the number of French company presidents, let alone executives, who have this year beeu put under formal investigation – *mis en examen*, in the French legal jargon. The number is rising rapidly, because the French justice system works exceeding slowly.

According to an Agence France Presse analysis, the cases of only two of some 23 captains of French industry and finance *mis en examen*, since France's anti-corruptioo crackdown started in 1993, have been completed. These are Mr Micbel Mauer, ex-president of Paribas's Cogedim property subsidiary, wbo was convicted of false billing, and Mr Pierre Bergé, former head of Yves St-Laurent, wbo was acquitted of insider trading in the takeover of the fashion house by tbe Elf oil group.

The pace is slow because France has relatively few magistrates or police witb specialised financial knowledge – and those wbo have, take their time.

Yet, far from proving tbe kiss of deatb that it is to French politicians – tbe unwritten rule is that ministers must resign the minute they are *mis en examen* – many French executives seem to be learning to live witb the stigma.

In part this reflects appreciation of tbe fact that putting someone *en examen* does not mean bringing formal charges against him or her, tbough that can be the next stage. Some Frencb defendants welcome being *mis en examen* as it gives them and their lawyers the right to see the prosecution dossier.

There are other reasons wby nearly two-thirds of tbe 23 company bosses investigated over tbe past two to three years bave not resigned. It naturally helps to bave personal control of the business, as in the case of Mr Martin Bouygues, whose family owns 20 per cent of the construction and telecommunication group and works in many parts of it.

Tbe same is true of Mr Nicholas Clive Worms, who is still president of the Worms group desplte being put under investigation in October for alleged insider trading related to the attempted takeover by Ciments Français of Ciments Belges in 1990.

Sometimes the defendant can plausibly claim that the allegations are so removed from his job as not to jeopardise it.

This is tbe argument made by Mr Louis Schweitzer, who is still the president of Renault despite being put under investigation earlier this year for "poisoning" in the affair of the Aids-contaminated blood whicb infected and killed many haemophiliacs in the mid-1980s.

The accusation does not stem from anything Mr Schweitzer has dooe as an industrialist – it arises from the fact that a decade ago he was an aide to Mr Laurent Fabius, prime minister in 1983-86, who is also to face the "poisoning" charge.

Also perhaps in the same category was Mr Gilles Ménage, who survived until last month as head of Electricité de France despite being put under investigation for improper wire-tapping when he was a Mitterrand aide at the Elysée.

It also comts in the defendant's favour if the alleged offence concerns a subsidiary for which he or she might have legal responsibility, hut hardly day-to-day control. This belps explain why 74-year-old Mr Guy Dejouany is still nominally head of Générale des Eaux desplte being *mis en examen* this year for alleged corruption involving a Réunion company which is one of the group's several thousand subsidiaries.

Likewise, Mr Jean-Louis Beffa remains the head of St Gobain group despite having been put under investigation in autumn 1994 for "aggravated influence-trafficking" involving St Gobain's Pont-à-Mousson subsidiary and a Nantes contract.

But an inveatigation can cause enough practical problems to drive an executlve from his or her post. It seemed that this might happen to Mr Didier Pineau-Valencienne, head of the Schneider electrical group. Last year's Belgian issue of an international arrest warrant against him effectively prevented Mr Pineau-Valencienne from travelling and forced him to manage Schneider's foreign subsidiaries by video-conference from Paris. Earlier this year, the Belgians dropped their warrant, but have retained the fraud charges against the Schneider boss.

Despite facing fraud and other charges, Mr Pierre Suard did try to cling to the presidency of Alcatel. In the end, he had to go because the judge banned him from any contact with a numher of Acatal employees.

The smoothness of Mr Suard's replacement by Mr Serge Tchuruk was facilitated hy the mediating skill of Mr Marc Viénot, head of the Société Générale bank, a big shareholder in Alcatel. Mr Viénot has been *mis en examen* since 1992 after his bank hroke company law in buying some of its own shares hack in 1988. But this offence carries only a fine, and as such would be included in the amnesty following President Jacques Chirac's election last May.

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Ozawa's party win may end consensus and muddle

Japanese politics heads for more combative era

Japan took another step to a more direct style of political leadership yesterday with the election of Mr Ichiro Ozawa as head of the main opposition party.

Mr Ozawa won twice as many votes as his sole opponent and long-time colleague Tsutomu Hata in the race to head the Shinshinto (New Frontier party), a broad-based grouping formed last year. The election of Mr Ozawa, 53, will be welcomed by foreign governments and investors, among whom he is widely seen as one of the few mainstream Japanese politicians with a clear ideology. Mr Ozawa's ideas for a more economically liberal and assertive Japan, correspond with what Japan's frustrated foreign partners have been urging for years.

Japanese business leaders welcomed his election. Mr Shoichiro Toyoda, chairman of the Keidanren business federation, said the result showed "the positive appraisal of the active policy stances of Mr Ozawa".

In his election manifesto and his book, Blueprint for a New Japan, Mr Ozawa calls for faster economic deregulation and a sharp rise in indirect tax rates to reduce the government's heavy reliance on a shrinking income tax base. He believes that Japan's role in international affairs should be more in line with its economic weight. Mr Ozawa proposes the formation of a specialised military unit to take part in United Nations peacekeeping duties.

The first consequence of Mr Ozawa's emergence from the backroom to the front of the stage will be to lift the curtain on a more openly combative period in Japanese politics. It means that both government and opposition are now controlled by younger generation leaders who prefer confrontation to consensus, clarity to muddle.

Mr Ozawa's blunt leadership style parallels his that of long-time rival, the outspoken Mr Ryutaro Hashimoto, 58, president of the Liberal Democratic party – the dominant partner in the three-party government coalition. Mr Hashimoto, widely tipped to bring a more assertive style to the LDP, has gone curiously quiet since taking the top job there.

But he and the LDP may be roused by the attacks to come from Mr Ozawa. The outcome of a direct fight could clarify the hitherto muddy policy debate between government and opposition, which in itself would be an advance in Japan's slow-motion political realignment.

One of the first targets in Mr Ozawa's sights is likely to be last week's unpopular government decision to allocate public money to what amounts to a banking bailout. Previously, such a move would have attracted no more than a token attack from a weak and divided opposition.

Mr Ozawa began his career as an aide to Mr Kakuei Tanaka, the former prime minister involved in the Lockheed bribery scandal. He soon rose through the ranks fast enough to create enemies among other LDP factions. Many Japanese believe he was motivated as much by ambition as by desire for political reform when he led a defection from the LDP in mid-1993, so bringing down an LDP government for the first time in nearly four decades.

Since then, his fixer's skills have been in demand as he manoeuvred behind the scenes to build the first post-war party strong enough to challenge the LDP. He put together the first post-LDP coalition, a disparate group embracing the religious right and extreme left, and its equally disparate successor, under his then partner, Mr Hata, a former prime minister.

The next stage came at the end of last year, when Mr Ozawa engineered the merger of nine opposition groups into a single party, the NFP. But since then, he has switched his allegiance to others in the NFP and fallen out with Mr Hata.

Mr Ozawa's promotion is another blow to the old political system – and one that may make it easier for Japan's trade partners to understand what is in policy makers' minds.

William Dawkins

Mr Tsutomu Hata, defeated yesterday by Mr Ichiro Ozawa in the race to lead the New Frontier party, is questioned by reporters outside his Tokyo home Reuter

Tokyo's fiscal time bomb is ticking away

By Gerard Baker in Tokyo

Japan's industrial output rose 1.3 per cent from October to November, far exceeding official expectations, the ministry of international trade and industry announced yesterday, writes William Dawkins in Tokyo.

The increase, the same as the previous month's rise, contrasts with Miti's original estimate that output would dip 0.1 per cent in November. The ministry's latest report indicates signs of recovery, rather than the weak trend described in previous output studies. Miti forecasters believe output could continue to rise and expect production to grow 0.5 per cent this month and the same again in January.

Stocks of unsold goods and materials fell 1.1 per cent in November, nearly reversing a 1.4 per cent rise in October.

These are the latest in a series of encouraging economic data, including a rise in department store sales in November for the first time in 45 months, and the first time in six months that the government's main economic indicator has risen above the 50 per cent dividing line between growth and decline. Yesterday the construction ministry announced Japan's housing starts in November increased 0.1 per cent from a year ago to 137,180, the first rise in eight months. In October, housing starts fell 2.3 per cent from a year earlier.

Bodget deficits may have brought political gridlock to the corridors of Washington and actual gridlock to the streets of Paris this Christmas, but in Tokyo the biggest deficit of them all has been signed off with barely a murmur of dissent.

On Christmas Day, the Japanese cabinet agreed the nation's budget for fiscal 1996, beginning in April. The Y75,000bn ($732bn) spending total on the central government account will be financed partly by the largest-ever planned issue of deficit-financing bonds: more than Y12,000bn.

When the issuance of construction bonds, a somewhat evasive method by which the government justifies much of its borrowing, is taken into account, the total deficit reaches Y21,000bn.

That figure represents 4.5 per cent of Japan's gross domestic product, the largest gap between the government's spending and revenues in several decades.

In the midst of its deepest recession in post-war history, that may not seem too much of a strain: it is well below the sort of figures seen in the depth of recessions in Europe in the past.

But the real numbers, complicated as ever by the opacity of Japanese accounts, are much worse.

Five years ago, talk of an impending budget crisis in Japan seemed fanciful. Having been in surplus for most of the post-war period, tha central government's finances went into the red in 1990.

Over the next five years, the annual borrowing requirement increased at an alarming pace, and as a result the gross outstanding debt of the central government went from 55 per cent of national income in 1990 to nearly 75 per cent this year.

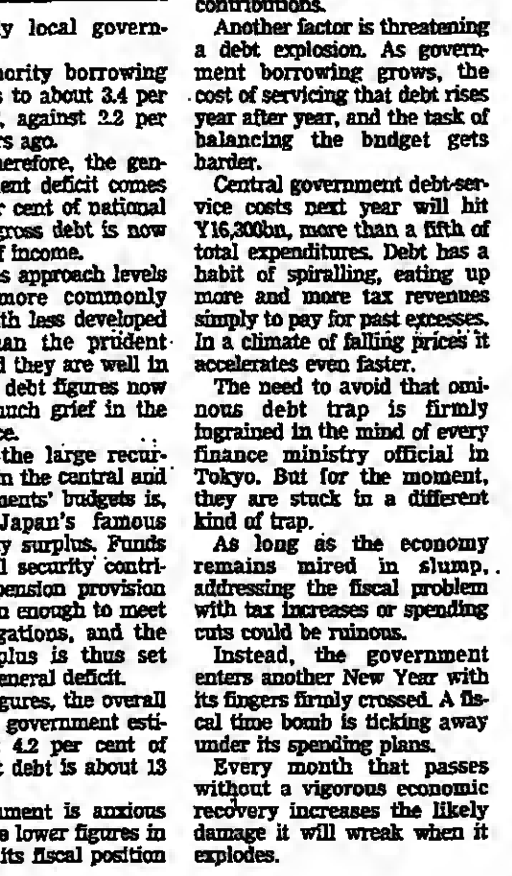
The principal culprit was, of course, the recession, which cut tax revenues and increased spending needs. But the automatic effects of recession are not the only factors in the slide into deficit.

A series of measures aimed at reviving the economy, including a succession of tax cuts and fiscal stimuli, have raised the so-called structural element of the deficit. The total value of such packages (there have been six since 1992) is difficult to judge, but a conservative estimate would put the total at about Y32,000bn, or 7 per cent of gross domestic product.

The OECD estimates these and other factors have resulted in the government's turning a structural surplus of about 1 per cent of GDP in 1990 into a structural deficit of about 2 per cent this year.

In other words, even if the economy were to recover to something like pre-recession levels of growth, a large deficit would persist.

But the real budget picture in Japan is more complicated. In the past few years, to disguise the full extent of the deterioration, the government has shifted more spending away from the central government account (the one it unveils every December) into other areas of public spending: most notably local government.



Local anthority borrowing now amounts to about 3.4 per cent of GDP, against 2.2 per cent two years ago.

In total, therefore, the general government deficit comes close to 8 per cent of national income and gross debt is now 95 per cent of income.

Both figures approach levels which are more commonly associated with less developed countries than the prudent Japanese, and they are well in excess of the debt figures now causing so much grief in the US and France.

Offsetting the large recurring deficits in the central and local governments' budgets is, of course, Japan's famous social security surplus. Funds paid in social security contributions for pension provision are more than enough to meet present obligations, and the ensuing surplus is thus set against the general deficit.

On these figures, the overall deficit is, the government estimates, about 4.2 per cent of GDP, and net debt is about 13 per cent.

The government is anxious to stress these lower figures in arguing that its fiscal position is, for the time being, sustainable. But those social security surpluses may, of course, soon be whittled away by Japan's changing demographic profile.

With a rapidly ageing population, officials know they are playing with fire. Counting those current surpluses as part of current revenue is a risky exercise without a subsequent big increase in social security contributions.

Another factor is threatening a debt explosion. As government borrowing grows, the cost of servicing that debt rises year after year, and the task of balancing the budget gets harder.

Central government debt-service costs next year will hit Y16,300bn, more than a fifth of total expenditures. Debt has a habit of spiralling, eating up more and more tax revenues simply to pay for past excesses. In a climate of falling prices it accelerates even faster.

The need to avoid that ominous debt trap is firmly ingrained in the mind of every finance ministry official in Tokyo. But for the moment, they are stuck in a different kind of trap.

As long as the economy remains mired in slump, addressing the fiscal problem with tax increases or spending cuts could be ruinous.

Instead, the government enters another New Year with its fingers firmly crossed. A fiscal time bomb is ticking away under its spending plans.

Every month that passes without a vigorous economic recovery increases the likely damage it will wreak when it explodes.

Sacked Thai SEC head 'had enemies'

By William Barnes in Bangkok

The Thai government's sacking of its stock markets regulator, Mr Ekamol Kiriwat, on Tuesday is widely seen as a settling of old scores.

Mr Surakiart Sathirathai, finance minister, said yesterday he had evidence, which he declined to produce, suggesting Mr Ekamol was involved in the leaking of news of investigations into share price manipulation in 1992 and 1993.

But Mr Ekamol, secretary-general of the Securities and Exchange Commission, was unrepentant yesterday: "I knew my phone was being tapped but I didn't care because my heart is pure. I have nothing to hide."

But several other parties appear to have had an interest in seeing off Mr Ekamol, whose publicly stated policy has been to increase the transparency of the capital markets.

His determination to play the financial policeman cut short his tenure at the SEC and resulted in his dismissal, also on Tuesday, as deputy governor of the central bank, a post he held concurrently.

Mr Ekamol antagonised the local brokers who run the stock exchange. They objected to schemes designed to loosen their lucrative control of trading on the exchange.

Also, Mr Vichit Supinit, governor of tha Bank of Thailand, viewed his deputy as a rival.

Mr Ekamol also made powerful enemies when the SEC charged an influential speculator known as Sia (tycoon) Song, and more than a score of other investors, with share manipulation three years ago.

But he may have finally sealed his fate by successfully demanding from the new government of the prime minister Mr Banharn Silpa-archa, five months ago, a reaffirmation of the independence of the SEC. The presumption antagonised the government.

The stock market has hardly twitched at the news of Mr Ekamol's dismissal but the long-term impact of such a blunt move to disable an increasingly independent SEC could be profound.

Over the past 12 months, government attempts at financial reform have often resulted in investor disenchantment, culminating in the attempted suicide of an investor at the exchange last month.

Many investors have criticised Mr Surakiart's lack of hands-on financial experience but he has, so far, appeared to have avoided trouble. Even so, the government was criticised in November for creating a $1.2bn credit line for hard-pressed speculators and brokers in response to the suicide attempt.

Cuba plans for faster recovery

By Pascal Fletcher in Havana

Cuba has unveiled a new-look economic plan for 1996 which aims to increase the pace of economic recovery through an expected rebound in depressed sugar production and higher revenues from the growing tourist industry.

Putting the plan to parliament on Tuesday, Mr José Luis Rodriguez, economy minister, forecast gross domestic product growth of 5 per cent next year, double the 2.5 per cent announced for 1995.

Exports were projected to repeat the 20 per cent increase recorded in 1995, while imports would grow 15 per cent, compared to 12 per cent in 1995.

The upbeat economic plan, a departure in that it deals with one year rather than five, was drafted with the government's 1996 budget proposal. It is the first to be publicly presented by the Cuban government since the collapse of massive trade and credit flows from the Soviet bloc threw the economy into recession five years ago.

The plan contained no new policy initiatives but appeared to be aimed at consolidating the reforms of the last two years. Mr Rodriguez stressed, however, that the expected growth in 1996 would depend on a number of variables. The one-year 1996 plan would not only be vulnerable to the uncertainties of the international market; lack of access to medium and long-term credit would also be a limiting factor.

A main challenge was to lift sugar production, the traditional mainstay of the Cuban economy. Deprived of vital imports such as fertiliser, output fell in the 1994-95 harvest to a 50-year low of 3.3m tonnes.

The target for the current 1995-96 sugar harvest is 4.5m tonnes. Imports of fertilisers financed by foreign credits have increased the amount of cane available this year, although foreign analysts say deterioration of mills could limit the expected recovery.

Mr Rodriguez said the government wanted to increase net earnings from tourism. Cuban officials put gross tourism earnings at about $1bn for 1995, up from $800m in 1994.

The 1996 budget sees the deficit falling to 580m pesos (nominally $580m), less than 3 per cent of GDP, compared to a lower than expected 3.6 per cent of GDP in 1995.

Indonesia's investment approvals at record high

Indonesia yesterday announced record annual foreign investment approvals for 1995 and said the prospects for next year were bright, Reuter reports from Jakarta.

Mr Sanyoto Sastrowardoyo, investment minister, said approvals totalled $39.9bn, compared with $23.7bn in 1994 and only $8bn the previous year.

The minister said an economic package to be unveiled soon would improve Indonesia's investment climate, but he gave no details. Other ministers have said the package will be unveiled by next month at the latest, partly to help the private sector compete on world markets.

Mr Sanyoto said Indonesia faced challenges in attracting foreign investment, including increased competition from other east Asian countries such as Vietnam.

Domestic sectors attracting foreign investment included the chemical, oil refining, food, plantation and paper industries. "There are some big projects in the pipeline prior to next year's approvals," he added, without giving details.

Britain topped the list in investment value for 1995, with $6.32bn, compared with $2.95bn in 1994. Japan was second with $3.79bn, up from $1.56bn last year.

The minister predicted a continued flow of investment funds into developing countries, especially in Asia. "The prospects [for Indonesia] for 1996 are bright. We hope we can achieve the same level as this year but it is going in be very difficult," he told a news conference.

"We must increase investment promotion and the way we treat investors. We must also make efforts to increase investment realisation," he said. Foreign investment realisation in Indonesia averaged 51-52 per cent.

Mr Sanyoto also said there were good prospects for increased demand for Asian products and commodities, especially from Japan, the US and Canada.

INTERNATIONAL NEWS DIGEST

Ex-minister on fraud charge

Mr Toshio Yamaguchi, the former labour minister arrested three weeks ago by Tokyo prosecutors, was charged yesterday with criminal breach of trust, fraud, and perjury in connection with the collapse of two credit unions last year.

Mr Yamaguchi, an independent member of the lower house of parliament, is accused of having used his connections with the president of one of the two companies to arrange illegal loans for businesses run by members of his family. Mr Harunori Takahashi, president of Tokyo Kyowa credit union, and Mr Yamaguchi's sister have already been charged on several counts of embezzlement and breach of trust.

The chief prosecutor in the case told a news conference that the indictment of Mr Yamaguchi concluded prosecution inquiries into the collapse of the two credit unions. The news will disappoint some critics, who want the investigation to be widened to include other politicians and government officials who are alleged to have been involved in the affair.

The two companies collapsed last December under more than Y100bn ($980m) of bad loans, many of them allegedly advanced to companies connected with Mr Takahashi, one of the more colourful of Japan's 1980s "bubble-era" property speculators. *Gerard Baker, Tokyo*

S Africa considers flood relief

A South African government delegation, led by acting President Thabo Mbeki, yesterday visited deluged settlements outside Pietermaritzburg to decide whether in allocate central government funds for relief work by designating the area a national disaster. Residents are braced for further heavy storms today after flash floods claimed at least 166 lives and left more than 1,500 people homeless in KwaZulu-Natal province.

Mr Mbeki also held talks with Mr Frank Mdlalose, premier of KwaZuln-Natal, following increased fighting in the province. At least 135 people had been killed in political and criminal violence in the Zulu heartland since Friday, police said yesterday. In the town of Shobashobane, an isolated African National Congress stronghold in an area dominated by Inkatha Freedom party members, about 600 IFP supporters were reported to have marched through the town, some carrying automatic weapons. The local ANC chairman, Mr Kipha Nyawusa, was among those killed. A further 15 people died during two separate incidents of factional violence on Boxing Day.

Local government elections in the province have been delayed until March 27 following demarcation disputes between the ANC and IFP. *Mark Ashurst, Johannesburg*

Prisoner release plan for Israel

Israel yesterday turned over the West Bank town of Ramallah in Palestinian control and announced it would release more than 1,000 Palestinian prisoners next week. Ramallah, north of Jerusalem, is the last of six towns to gain full autonomy under the Israel-Palestine Liberation Organisation deal expanding Palestinian autonomy in the West Bank.

A seventh town, Hebron, will gain partial autonomy before Palestinian elections, scheduled for January 20. Jenin, Tulkarm, Kalkilyah, Nablus and Bethlehem are already under Palestinian control, along with Jericho and the Gaza Strip, which gained autonomy last year as part of the 1993 Oslo accords.

Yesterday's handover was smooth, with only scant protest from Israelis opposed to relinquishing land in the West Bank. They have been largely silenced in the wake of the assassination last month of Mr Yitzhak Rabin, the former prime minister.

The prisoner release, decided by the Israeli cabinet yesterday, is part of an Israeli effort to boost Palestinian support for the peace process in the run-up to the elections. Israel's detention of the prisoners, despite provisions for their release in the September interim agreement, has angered many Arabs.

Palestinian officials say there are up to 5,000 Palestinians in Israeli jails, most of them for political reasons. Israel says the number is around 4,000, with most jailed for security or criminal offences. *Mark Dennis, Ramallah*

Chemicals for Iraq intercepted

Jordan has seized a large consignment of toxic chemicals and equipment for making missile parts, which were bound for Iraq in violation of UN sanctions, it was announced yesterday.

Mr Abdul-Karim al-Kabariti, foreign minister, said the interception of banned goods had been aided by documents the Iraqi government had handed over in the UN after the defection of a key Iraqi official in August. The documents were handed to the UN commission overseeing the elimination of Iraq's weapons of mass destruction.

Security sources said that Jordanian customs agents had seized dangerous acids and chemicals concealed in a shipment of drugs being exported by a local pharmaceutical manufacturing company in Iraq. Medicines and humanitarian goods are exempt from a stringent UN economic embargo imposed on Iraq after its invasion of Kuwait in 1990.

In addition in the chemicals, authorities had in the last few weeks seized a computerised milling machine for making missile spare parts, imported by an Iraqi front company based in Amman, Mr Kabariti said. *Reuter, Amman*

Bankers sentenced to death

A Chinese court has sentenced nine people, including three bankers, to sentences ranging from eight years to death for corruption involving more than $400,000, officials said yesterday.

China has recently cracked down on corruption, particularly in the special economic zones of Shenzhen and Zhuhai, which border Hong Kong and Macau.

Mr Xu Biao, vice-president of the Zhuhai International Trust and Investment Corp (Zitic), was sentenced to death, with a two-year stay of execution, for taking bribes worth Yn459,000 ($55,300) and accepting two watches.

Mr Deng Ping, responsible for Zitic's domestic loan department, was sentenced to death, also delayed for two years, for abusing his position and using the name of a printing house to embezzle Yn1.15m, a court official said. *Reuter, Beijing*

Stock exchange 'Traders in London are not used to dealing on screens'

Trading rival has slow start

By John Gapper, Banking Editor

Tradepoint, the rival to the London Stock Exchange which was launched in September, has got off to a slow start. Only 10 to 15 trades a day are being done on it compared with about 30,000 on the stock exchange.

Tradepoint, which uses an "order-driven" system under which institutional investors and brokers post their bids and offers to buy blocks of shares on an electronic bulletin board, wants to reach breakeven within a year to 18 months.

To do so, it estimates it would need between 150 and 300 trades a day in average blocks of about £150,000 ($231,000). The company says it is confident of achieving break-even at its target date.

"We always planned for a slow start because this is a new type of market," said Mr Stephen Wilson, executive director of Tradepoint. "Traders in London are not used to dealing on screens." He said the record of electronic order-driven trading in wholesale foreign exchange markets in the past three years showed that such systems tended to start slowly, but could expand rapidly once traders became familiar with them.

Tradepoint works differently from the stock exchange, which uses a "price-driven" system under which market-makers provide liquidity by guaranteeing bid and offer prices for shares, which they post on the exchange's Seaq bulletin board.

However, the stock exchange has now decided in principle to allow order-driven trading on its *Seaquence trading* system, to be launched in 1996.

The stock exchange is monitoring Tradepoint to see if there is a untapped demand for order-driven trading.

However, Mr Michael Lawrence, the exchange's chief executive, has argued that Tradepoint's record is disappointing. The top *400 shares* are being traded on Tradepoint, and it plans to extend trading to the next largest 400 in the coming year.

Mr Wilson said that Tradepoint was proving popular among quantitative traders – who use mathematical techniques – because it shows transparent prices. This allows traders to arbitrage cash and futures markets more exactly.

Experts on death predict early doom for Tories

By James Blitz, Lobby Correspondent

Mr John Major's hopes of avoiding a general election before the last possible date – May 1997 – look set to be dashed by a power that lies well beyond the world of Westminster, says a leading City of London organisation.

As the government bravely clings to its notional House of Commons majority of three, a group of actuarial consultants has predicted that statistically four MPs in the governing Conservative party should die between now and next Christmas, plunging Mr Major's government into a general election.

The prediction comes from Lane Clarke and Peacock, an organisation which advises large companies on their long-term pension liabilities. The company claims to be "experts on death rates and mortality statistics". It has based its latest analysis on a scrupulous study of the age profile of Tory MPs.

The prospect of the government'a majority being whittled down in this way is high on the minds of Tory business managers – even if they try not to talk about it too moch outside the lobby of the House of Commons. The death of a sitting MP immediately triggers a by-election in his or her district. The Conservatives have not won such a contest since 1989.

Mr Major wants to delay an election for as long as possible. The Conservatives are more than 30 points behind the Labour party in opinion polls, a gap that would put Labour well on the road to government if there were an election tomorrow. There are also hopes that Mr Kenneth Clarke, the chancellor of the exchequer, might use his next national Budget – the last before an election – to cut further the basic rate of income tax.

Mr Paddy Ashdown, leader of the cantrist Liberal Democrat party, yesterday appeared to be in no less pessimistic a mood about the Tories' prospects. "In my bones," he said in a television interview with ITN, "I don't think the government is going to get through the next year."

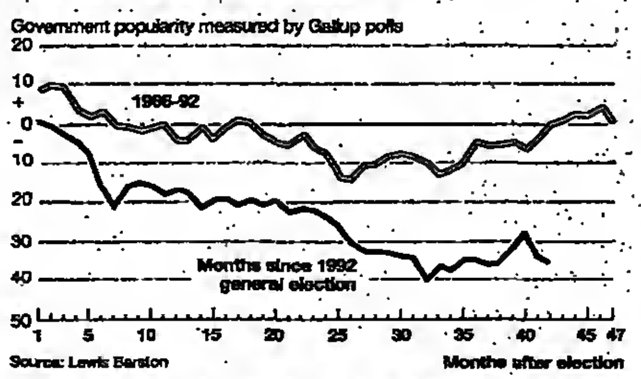
Mr Ashdown said his party would contest the next general election on a platform which included a clear commitment to European integration and a single currency.

"I want people out there to know that, on this issue, the Liberal Democrats can be relied on to be a rock in favour of the process of European integration," he said.

Mr John Prescott, deputy leader of the opposition Labonr party, yesterday taunted Conservative MPs for joining the "chicken run" to districts safer than those they now represent. He named 16 Conservatives including two cabinet ministers who, he said, were seeking safer seats before the next general election was called.

Ten Conservatives including Mr Brian Mawhinney, chairman of the party, have already switched to safer seats. Some are switching because their districts are being reshaped by boundary changes. So far 50 other Conservatives have announced that they will either retire or leave the House of Commons at the next election.

The long slide continues



There is no positive trend in the government's favour in the latest opinion polls, David Butler writes. The country is still 15 or 16 months from a general election, and there is time for the Conservatives to recover. But their unpopularity is greater than ever before. The diagram shows what has happened in the past. Every government since 1966 has drooped in mid-partiament

UK NEWS DIGEST

Shopping malls report stampede

Freezing weather failed to curb enthusiasm for the first day of post-Christmas shopping in most areas, with several large shopping centres reporting their highest-ever customer numbers. All shops closed on Christmas Day and most on the day after. With temperatures as low as minus 19 deg in the Scottish city of Glasgow, covered shopping centres gained at the expense of more exposed streets. At Gateshead's Metro-Centre in north-east England, one of Europe's largest shopping centres, management arriving for work found bargain hunters queueing in temperatures of minus 5 deg two hours before the shops were due to open. Mr Tony Salem, retail managing director of Liberty of Regent Street in London, said the capital's West End was "incredibly busy". Liberty's takings were running ahead of last year.

Neil Buckley, Consumer Industries Staff

Consultants for sale chosen

LLOYD'S
LLOYDS OF LONDON

Lloyd's of London, the insurance market, has appointed DTZ Debenham Thorpe, a property consultant, to sell its building in the City of London. The move is part of a wider sale of assets to raise cash for its recovery plan. Lloyd's hopes to raise about £200m ($308m) through a sale-and-leaseback deal under which the market's participants would continue to occupy the building. Lloyd's has just sold the subsidiary which published the Lloyd's List daily newspaper for £83m. *John Gapper*

Regulatory overhaul urged

A former Bank of England official yesterday called for an overhaul of the UK'a financial services regulatory system. Mr Michael Taylor was formerly with the Bank's supervision division which was criticised by politicians over the failures of Bank of Credit and Commerce International and of Barings merchant bank. He said the present system had become unwieldy and ineffective.

Writing in a paper published by the Centre for the Study of Financial Innovations, a non-profit think-tank, he proposed two new commissions to take over supervision of the industry from the Bank, the Securities and Investment Board – the City of London's top watchdog – and other regulatory bodies. One commission would monitor the soundness of the financial system while the other would oversee conduct of business in the retail markets. *PA News*

PM's aide shifts to British Gas

Mr Roderic Lyne, a former diplomat who is now an aide to Mr John Major, the prime minister, is to be seconded to British Gas for up to a year to advise on the development of its international business. British Gas, a former state utility, said the secondment was part of routine exchanges between the government machine and business. Mr Lyne, aged 43, was involved in negotiations which led to the Irish Republican Army ceasefire in 1994. *David Lascelles, Resources Editor*

Gas output begins off west coast

Britain's first fully commercial combined oil and gas development off the west coast began production just before Christmas. The Liverpool Bay project produced its first gas from the Hamilton North Field on December 20.The £1.1bn ($1.69bn) project 30km out to sea from the north-west England city of Liverpool will eventually have four gas-producing fields, with two of the four producing oil as well. Those two fields, Douglas and Lennox, will shortly begin operation, marking the start-up of UK oil production off the west coast. The operator and major shareholder in the project is BHP of Australia with 46 per cent. Other partners inclode Lasmo, Monument and PowerGen. *David Lascelles*

Fears grow for French student: 100 police and two aircraft searched roads in southern England for a 19-year-old French student who has been missing for eight days. Céline Figard has not been seen since she accepted a lift from a trucker at a motorway service station near Newbury about 100km west of London. Her father Bernard, a farmer from Ferrières-Les-Scey, 350km south-east of Paris, visited England yesterday to appeal for information about his daughter.

Asian community New bank would tap resources to invest in India

Escape from the spectre of BCCI

By Khozem Merchant in London

A group of rich Asians met recently for lunch at the rooftop terrace of a London skyscraper. The glass-fronted building houses the London headquarters of the Hinduja brothers, Gopi and Srichand, who emerged during the afternoon as the prime movers behind a plan by the 70-odd guests, many based in the Indian subcontinent, to launch a London-based Asian bank.

The bank would target Britain's commercially vibrant Asian community and mobilise resources to invest in the rapidly liberalising Indian economy. It would represent the first move by UK-based Asians into the British financial services sector.

"The UK Asian commercial community has strong charitable and cultural associations which are very individual in their character," said a senior member of the Asian British Business Community (ABBC), a coalition of rich UK Asians set up two months ago with such a venture in mind. "But the community does not have a collective banking or financial institution to call its own, one that can understand its own needs and respond as necessary."

That is thought to be a reference to the so-called "cultural factor" in British banking and finance, most spectacularly, and ultimately fatally, demonstrated by Bank of Credit and Commerce International.

BCCI collapsed in mid 1991 with debts of $14bn. In 1993 action by the Bank of England, the UK central bank, led to the closure of three small Asian banks: Mount Banking, Equatorial Bank and Roxburghe Bank.

In the wake of the BCCI collapse, all three banks had suffered severe liquidity problems – although Mount was also found by UK banking regulators to have conducted itself improperly. Their disappearance created a gaping hole in Asian banking in the UK that has never been satisfactorily filled, say Asian business leaders.

Many ABBC members were hit hard by BCCI's collapse and today they pointedly distance themselves from the world's greatest banking scandal. "BCCI was an Arab, not an Asian bank," says one top ABBC member. Mount, Equatorial and Roxburghe also had strong ties with Asian businesses in the UK and participated in high-risk trade finance with Asians in east Africa. It was not uncommon for these banks to grant loans to Asian applicants – often with little security and frequently without evidence of business plans – who would have been routinely rejected by mainstream banks.

These and other aspects of their operation inevitably provoked much public criticism and caricature. "BCCI – the Bank of Commerce and Cocaine International" was one of many jibes. In October 1993, for instance, the Banking Appeal Tribunal found brothers Suresh and Navin Shah, directors of Mount Bank, not "fit and proper" to act as directors of a bank. It was this type of damaging public criticism, BCCI aside, that tarnished Asian involvement in banking activity.

Yet many Asians, especially the smaller businessmen, still insist that mainstream banks do not understand their way of doing business. "Our banks would speak to us in our own language – literally, for business was usually conducted in Gujarati, Urdu or Hindi – and understand the family role," was one common refrain.

With BCCI receding into the background – a court in Luxembourg cleared the way for a final settlement last week for BCCI's weary creditors after ex-employees had withdrawn their opposition – many ABBC members agree that now is the right time to launch such a community bank.

The timing also seems appropriate for developments beyond both UK and Luxembourg. Economic and financial liberalisation in India has opened a new area of activity for expatriate Indians keen to channel UK-generated profits into the Indian economy.

MANAGEMENT: MARKETING AND ADVERTISING

Marrying brands

Today's merger of Lloyds Bank and TSB Group raises questions of identity, says **Alison Smith**

Personal customers of high street banks are notoriously inert. Even they, however, might generally be expected to notice and respond to the creation of the bank with the most extensive branch network in the UK.

The aim of those masterminding the merger of Lloyds Bank and TSB Group, which becomes effective today, is that customers should realise only gradually that a new entity has been created. The announcement of the deal in October made it clear that the TSB brand would continue to exist alongside the brands that Lloyds already offers its retail banking customers.

To an extent this is mere pragmatism: short of getting the individual consent of millions of customers, the two organisations cannot formally merge their customer bases until a private bill has been passed by parliament.

The commitment to keep the TSB bank brand alive in Scotland, where Lloyds has hardly any presence, is absolute. Although the commitment to the brand's survival in England is slightly vague, the present intention seems to be that Lloyds and TSB branches will co-exist in different regions, depending on their relative strength.

The move marks the expansion of Lloyds as a multi-brand financial services organisation.

In the past, the general pattern when one financial services company buys another has been for the brand of the one acquired to disappear. Most recently, this is happening in the acquisition by General Accident, a composite insurer, of Provident Mutual, o life office. It is dua to happen with Abbey National's takeover of National & Provincial Building Society next year.

But this phenomenon is most common where both organisations are in exactly the same field. As the largest financial services organisations become more ambitious to offer a full range of products and cover the whole market, this is changing.

The inclusion of the TSB brand will take to four the total number of brands ovailable to Lloyds Bank personal customers.

Apart from being offered products which bear the Lloyds name, customers can also be sold life assurance, investment and pensions policies from Black Horse Financial Services and mortgages and retail savings accounts from Cheltenham & Gloucester.

Lloyds bought C&G, formerly a building society, in August for £1.8bn with the specific aim of maintaining its separate identity in order to capitalise on its mortgage expertise.

It already sells its home loans in Lloyds' network as well as its own-

brand branches, and is expected to take on the administration of existing Lloyds mortgages early next year. It will design and run TSB mortgages, and is likely to market them under its own brand.

But for Lloyds to maintain the TSB brand is a different proposition. Instead of keeping a name with a strong reputation in a specific and not generally overlapping area of business, the organisation would be maintaining two brands offering similar services to different parts of the market.

Tom Blackett, deputy chairman of Interbrand, a branding consultancy, does not believe this approach is tenable – even in Scotland.

"I can't see how the TSB bank brand will survive," he says. "There is no rationale these days for maintaining o small, regional brand, even if it is quite strong.

"The whole trend is towards big, national brands."

An additional approach open to the new group, however many bank brands it maintains, is retaining the brand name for use on certain products, which would then be available from all branches.

In areas where Lloyds was seen to have the stronger products – for example, perhaps in the basic current account – its brand would be sold throughout the network. Equally, where TSB appears to have the stronger name – such as services aimed at young people – that name would survive.

If Lloyds TSB adopts this strategy, it would highlight the anomalous and autonomous position of C&G within the group: it has not only retained its own branches, but currently does not sell any other brand of products from its network.

Blackett is clear on the advantages of keeping existing brands in some form. "While the identity of the total network needs just one name, it makes very good sense to use the old one on products because in financial services it takes o long time to build a brand," he says.

The length of time needed to establish a name seems to be a particular feature of life assurance, where the customer is buying a promise – a good investment return – that can take several years to be kept

The length of time needed to establish a name seems to be a particular feature of life assurance, where the customer is buying a promise – of protection for dependants or a good investment return – that can take several years to be kept.

This may be one reason why o new note is being struck in some quarters, as financial service companies consider the rationalisation of the life assurance sector.

There are signs from one or two potential purchasers that they might be prepared to recognise the value of additional brands in any acquisition. If, for example, Prudential, which is the UK's largest life assurance group and sells mainly through o direct sales force, bought a life company selling through independent financial advisers, it might consider holding on to that brand if it had associations with high levels of service or particular expertise in designing products for the independent adviser market.

One instance where this approach of keeping the brand has worked is the purchase by Abbey National of Scottish Mutual in 1992.

"With Scottish Mutual we were going for a different market, the independent adviser market," says John Fry, deputy chairman of Abbey National.

There was clearly an advantage for Abbey in staying with the brand known by independent financial advisers, rather than trying to persuade them that they should deal with an organisation primarily known for its mortgages and savings accounts.

The financial sector is still a long way from the clusters of brands owned by groups such as Kingfisher (Woolworth, Superdrug, Comet and B&Q) and Burtons (whose chains include Top Shop, Principles and Dorothy Perkins).

But as the largest financial services organisations expand further into each others' markets, then they are likely to grow closer to high street retailers in this regard.

A slicker approach

The Labour party has engaged a top agency to see it through to the general election, writes **Diane Summers**

On Budget day last month, the British electorate had its first taste of the kind of professional and highly targeted advertising that the Labour party is hoping will characterise its campaign from now until a general election.

All day the lights flashed on an electronic billboard in London's Piccadilly Circus with a series of anti-government messages and o running commentary on the chancellor's pronouncements. Backing up the lights were strategically placed posters on surrounding streets. While the messages were not particularly original – "You're worse off under the Tories, You're better off with Labour," – the use of the medium and evidence of slick forward planning gained a great deal of public attention. For a comparatively modest outlay, Labour's attack on the government's Budget made a good visual story oo national television news and in some newspapers, and so covered its costs in public relations terms many times over.

While the Conservatives struggle to sort out their communications strategy, Labour has engaged one of London's top agencies, BMP DDB Needham, to see it through the oext general election. Spring 1997 remains the likeliest date.

It is probably only a matter of time before the Conservatives re-establish their relationship with Maurice Saatchi, following the recent severing of links with his former agency. But for now Tory sympathisers within the advertising world acknowledge that Labour's communications machinery is in the better working order.

BMP, part of Omnicom, the giant US marketing services group, is probably best known for its Barclaycard advertisements featuring the actor Rowan Atkinson. It regularly scoops awards for advertising effectiveness, although it is difficult to tell whether that is because it genuinely produces the most effective advertising, or is simply streets ahead of many other agencies in being able to document scientifically advertising's role in a product's fortunes. While BMP's appointment was only confirmed in the summer, the agency has a long-standing relationship with Labour and the trade unions, mainly through its chief executive, Chris Powell.

Powell is one of the trio of siblings that has had a seat ot the top table of British politics for more than o decade. His elder brother, Charles, was one of Lady Thatcher's main advisers during the late 1980s. Another, Jonathan,

Campaigning in the streets

has been Tony Blair's chief-of-staff for more than a year and one of the Labour leader's most important acolytes.

In 1971 the agency was behind Trades Union Congress press adverts attacking the Conservative government's Industrial Relations Bill. By 1975 it was helping the Labour government enforce its incomes policy with a series of adverts showing industrial leaders and their union counterparts – for example, Derek Ezra of the Coal Board and Joe Gormley of the National Union of Mineworkers declaring their intentioo to stick to the limits for wage rises.

Over three general elections, BMP created the National and Local Governmeot Officers Association "Put people first" poster and press campaign, highlighting the role of the public and social services. Recently it has put union advertising on TV for the first time, with an advert for Unison, Nalgo's successor.

Greater London Gounell's anti-abolition campaign in 1984 was a case of the patient dying but the operation being declared a success. Polls suggested oppositioo to obolition of the GLC amongst Londoners moved from 50 per cent in January 1984, to 74 per cent by the year-end and the agency won an effectiveness award, despite the GLC's demise.

The GLC campaign did much to change attitudes amoog those on the left to advertising: where previously it had been viewed with suspicion as an instrument of the enemy, oow its uses to further Labour movemeot causes could ot least be demonstrated.

It was because of BMP's involvement with the GLC campaign that Labour's "shadow communications ogency" was based maioly at the agency during the last two general elections. The idea to form a team of advertising agency volunteers came from the US, where the Republicans assemble o group of agency secondees – the "Tuesday Team" – six months before elections.

With the 1992 British election came criticism from within the party that the shadow communications ogency had become too powerful, and Labour's campaign, according to some political watchers, was "very stagey," with an American flavour which alienated the public. John Smith, who succeeded Neil Kinnock as Labour leader, replaced the group of volunteers with the oppointment, on a commercial basis, of ageocy Butterfield Day Devito Hockney. Leslie Botterfield had played an active part in the shadow communications ageocy. With Tooy Blair's leadership came the subsequent shift to BMP.

For the oext election, Blair's team sees the job of an advertising agency to "come up with good ideas on campaigns the broad direction of which we have already decided". Adds an insider: "A sharp distinction must and will be made between the role of the agency and the role of the politicians. The shadow communications agency in 1992 was not closely enough engaged with key politicians to ensure consent for what was going on. We must make sure we get that this time."

THE MILITARY CAN'T TELL US WHERE THEY LEFT THEIR LANDMINES. BUT THESE PEOPLE CAN.

In many parts of the world landmines aren't marked with warning signs.

They're marked with blood.

Detonated by the feet of passing civilians.

The 1980 UN Weapons Convention dictates that "parties to a conflict shall record the location of all pre-planned mine fields laid by them."

Wars dictate otherwise.

In the heat of battle landmines are scattered in huge numbers.

Angola alone has over nine million buried landmines. That's one for every single member of the population.

They're also dropped with scant regard for their whereabouts, either fired from launchers or dropped from planes or helicopters. Which means there's little chance of mapping the weapons with any accuracy.

And so landmines buried for short term military gain produce appalling long term consequences.

When the trouble ends and the soldiers disappear these weapons remain to wreak havoc on the local population.

In Poland people are still being killed or injured by landmines fifty years after World War II ended.

But even if the military had a rough idea where they'd left their landmines there is little chance they could remove them.

Modern plastic mines are incredibly difficult to detect, while other varieties are designed in ways that makes them too dangerous to try and defuse.

Afghanistan has nearly 3000 deminers but it will take decades to clear the country, while huge tracts of Africa are 'no-go' areas because of landmines.

The situation is even worse for people in countries where there are ongoing conflicts.

As the tide of battle shifts so an area that was considered safe one day can be mined the next.

That is why action needs to be taken now.

The International Committee of the Red Cross is committed to a worldwide ban on the production, export and use of anti-personnel landmines.

Otherwise the world will continue to be demined.

Limb by limb by limb.

COMITE INTERNATIONAL GENEVE

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LANDMINES MUST BE STOPPED

ARTS

Cinema in 1995/Nigel Andrews

Small is beautiful

There is much to be said for jet lag – and movie lag. I have just returned from Hollywood and can testify to the pale, harassed faces of American critics trying to coax a "ten best" from a recalcitrant year. Can they include the revival of *Battleship Potemkin*? Can they include TV, home videos and CD-Roms? Can they wait and combine 1995 and 1996?

In Britain your harassed critic has the opposite problem. He is tossing and turning in the billows of his own vast short list. This numbers 25, films of which half may be vaguely called "American independents". America itself, to explain its depleted year, got many of these in 1994.

So we had mordantly funny social satires in *Clerks*, *Clueless* and *To Die For*; tangled tales of human relationships in *Spanking The Monkey* and *Exotica*; thrillers shot through with toxic ingenuity in *Fresh* and *The Usual Suspects*; documentaries that leaped dolphin-like from the genre's tradition of earnest pedagogy (*Crumb*, *Hoop Dreams*, *Martha And Ethel*); and hilariously inspired riffs on cinema itself in *Ed Wood* and *Living In Oblivion*.

When films like these arrive on the shores of a country speaking the same language, creativity will spark creativity. Britain responded with its best movies in years. The trend to black comedy produced *Shallow Grave*, *Priest*, *Butterfly Kiss* and *The Young Poisoner's Handbook*: all meditating on murder, sex or damnation in the age of Cromwell Street.

Ken Loach escaped abroad to make *Land And Freedom*, but his war-torn 1930s Spain seemed just as vibrantly tormented as 1990s Britain: strewn with violence, snatched romances and arguments about ethics in a godless time. And even those costume movies plucked from Britain's own history showed a penchant for the pathological. Nigel Hawthorne fell off his royal trolley in *The Madness Of King George*, while Emma Thompson and Jonathan Pryce showed how difficult it was, with or without the blessing of Bloomsbury society, to sustain a relationship incorporating gayness (his), nymphomania (hers) and career jealousy (theirs).

Co-existent with torment, 1995 had a tendency to the weirdly serene. Romantic love, thrown away in the free-sex 1960s and '70s, is boomeranging back in the disease-perilled 1990s. The principle is that the less you can touch your object of desire, the more charged may be the feelings with which you gaze longingly into his/her eyes.

So in the west we had Richard Linklater's *Before Sunrise*, about two backpackers (Ethan Hawke, Julie Delpy) meeting cute in Vienna, and Clint Eastwood's *The Bridges Of Madison County*, about two Hollywood wrinklies (Eastwood and Streep) meeting cute in Iowa. There were tears before curtain-time in both cases.

Further east, Hong Kong's *Chungking Express* and Taiwan's *Eat Drink Man Woman* were each multi-strand love stories woven into the tapestry of a society. They showed miraculous agility in combining the tender, the passionate, the comic and the subtly satirical.

The east also mirrored the west in accommodating vast supplies of black comedy. From Mainland China came Zhou Xiaowen's wonderfully observed *Ermo*, about a consumer-minded wife determined to acquire the so-called good things of life, mainly a new TV, while trampling on the actual good things (husband, health, morals). Also from China, Zhang Yimou's *Shanghai Triad* was a tragic masterwork about truth and betrayal, pixilated with choice moments of gallows comedy.

Between east and west there was a now predictable chasm called Continental Europe. In my best-of-year list, containing two dozen front runners and 20 back-up films, there are precisely two titles from this land-mass. They are France's *La Haine*, Matthieu Kassovitz's irresistibly rough-drawn picture of a crime-battered France, and Italy's *Il Postino*, directed by a Briton, Michael Radford, and starring a Frenchman (Philippe Noiret) playing a Chilean (poet Pablo Neruda). Against odds, its tale of autumnal friendship was touching.

The lonely distinction of these films emphasised the Euro-barrenness all around; we know we are in trouble when the good movies from Europe are outshone by those from New Zealand. Nothing from France, Germany, Spain or Italy surpassed Peter Jackson's *Heavenly Creatures* and Lee Tamahori's *Once Were Warriors*. *Creatures* was a sumptuous black comedy (again) about two schoolgirl killers. Its oblique, faux-naif intelligence made it everything that Oliver Stone's flashy *Natural Born Killers* should have been. *Warriors* was a ferocious tale of disintegrating family life among urbanised Maoris. Tamahori, not surprisingly, was snatched up by Hollywood.

There are few other radar blips on the screen. India's *Bandit Queen* provided a brief glow of power from the subcontinent. And *Babe* was a lone squeak from Australia, in which the most off-putting idea of the year, a talking piglet, turned into the most quaintly lovable reality.

Babe must also have been the cheapest scene-stealer of the year. In Hollywood star salaries are reaching a point of dementia. Fees of \$20m – virtually the budget of *Gandhi* – are doled out to the likes of Jim Carrey and Sylvester Stallone: the first for mugging bravely through the shambles of *Batman Forever*, the second for still being in work after super-flops like *Judge Dredd* and *Assassins*.

The madness has spread out to whole movies. By year's end *Waterworld*, the high point of fiscal delirium in 1995, had become a barely remembered folly. I was reminded of it only because I saw them again, Costner and Hopper and \$180m of sloshy spectacle, lulling passengers to sleep on my transatlantic red-eye.

Hollywood accountants will no doubt argue that a new movie is now a mini-industry. It recycles itself into cassettes, laserdiscs and CD-Roms; it begets toys and T-shirts; it becomes a novelisation, a game, a theme park sideshow.

In compensation, there is the other side of the American cinema equation. So much corpulent emptiness finally produces an equal and opposite reaction. The US independent films we have landed are just that, a growing army of Davids advancing to challenge the Goliaths or at least to draw sceptical attention to their muscle-bound giantism.

For every *Waterworld*, there is a *Clerks*. For every Stallone there is some unheard-of pintsized hero – the gangster-outwitting boy of *Fresh* or the acne'd Everyteenager of *Spanking The Money* – who reaffirms that small is beautiful and that wit, irony, grace and subtlety can still be made in the US.

Best of 1995: *Clerks*, *Chungking Express*, *Clueless*, *Crumb*, *Ed Wood*, *Ermo*, *Heavenly Creatures*, *Martha And Ethel*, *Shanghai Triad*, *Spanking The Monkey*.

Sumptuous black comedy from New Zealand: Melanie Lynskey in 'Heavenly Creatures'

Pop

Simply Red and Pulp

Pop stars and Christmas; it may be a recent seasonal tradition but it is already deeply rooted. Some artists only appear at Christmas – Gary Glitter gathers the gang for an annual knees-up and then recuperates for 12 months; some, like Status Quo, use it to bless the faithful; and some have albums to promote.

Mick Hucknall, who lightly hides behind his magnificently makeshift band, Simply Red, has just released *Life*, his follow up to *Stars*, which went platinum 12 times in the UK alone. The new songs featured heavily in his Wembley shows. We may grow to love them all but I doubt it.

Hucknall, a dead ringer for a pixie with his matted red dreadlocks and impish face, somehow manages to create an atmosphere with the voice alone: the finest white funk. Perhaps he knows he is not the most charismatic of performers so he conjures up a wonderful set – a sinuous walkway of delight snaking across the heart of the Arena, on which he trots and rather sweetly courts the audience; his musicians amble with emphatic purpose, especially Heitor Pereira on guitar; and the two black backing singers strut with "you dare" attitude.

With festive good will it was all quite agreeable, but the new, slower, ballads sound ponderous, and the more ambitious songs, like the reggae based "Hillside Avenue", forced. Of the fresh material only "Fairground" and "Remembering the first time" have the glister of standards. You long for the old hits, "A new flame" and "Stars", the happy melodies that dance along; and when they come Hucknall delivers gold, living proof that a white man can have soul.

Jarvis Cocker dominates his band, Pulp, even more than Hucknall is Simply Red. In fact his musicians are embarrassingly invisible when set against the Cocker persona. Cocker, in his early twenties, has already managed to become a great English eccentric. His unique selling proposition is that he is very nice, a gangly, even etiolated, youth in a shiny black suit who loves his mum – few pop stars can have spoken so often and warmly on stage about their mother – and still finds time to ask his audience at the Brixton Academy for advice about where to go on New Year's Eve.

Then there are the songs. Cocker writes in subconscious flow about the small lives of suburban youth; about idling at bus stops talking of girls, and car-cruising. Sadly, reading the lyrics quietly is almost as enjoyable as hearing them performed; some of Cocker's tunes are tentative in the extreme. But when the melody does fit, on songs like "Babies", Britpop has found its most subtle and infectious practitioner. If Cocker can hold on to the mundane he could develop into a national icon, a musical John Betjeman.

A.T.

Cautious optimism in the saleroom

Expectations have been readjusted this year, writes **Antony Thorncroft**

Things are looking up. The auction houses and the dealers inevitably hype the art market, but in 1995 the facts began to support the view that, after almost five years of recession, there was demand for works of art of the finest quality and collectibles.

The figures tell it all. Sotheby's managed an impressive 25 per cent improvement in sales (in dollars – in sterling the rise was 21 per cent) to \$1.66bn (£1.05bn). In the final quarter turnover was 32 per cent greater in dollars (34 per cent in sterling), a good pointer to 1996. Christie's sales also rose, by 17 per cent (in dollars, 14 per cent sterling) to \$1.4bn (£931m). In the more mundane world where auction houses sell antiques to the middle-classes, Phillips managed a 7 per cent increase to £97.6m and Bonhams continued its recent spurt by adding 14 per cent to £40m.

Prices, however, are still below the heady heights of the late 1980s. This was well illustrated in the sales of Impressionist and Modern art. Stronger demand in the summer in New York persuaded sellers to place their treasures in winter auctions. And they found buyers, especially at Christie's, which sold 95 per cent by value of its main evening sale for \$107.7m. The highlight was a major Picasso, "Le miroir", which made \$20m. But in 1989 it sold for \$26.4m.

Sotheby's sale was less successful, mainly because it allowed a major vendor to insist on ambitiously high reserves. But a late Van Gogh, "Forest glade", made \$26.9m. More indicative of the state of play was a Picasso bar scene, "Le divan japonais", which fetched \$3.6m. In 1989 it was sold for \$8.25m. Slowly sellers have re-adjusted their expectations downwards and are coming into line with bargain-minded buyers.

The highest price paid at auction during the year, indeed the highest for a painting since 1990, came from an Englishman, Sir Andrew Lloyd Webber, for yet another work by Picasso: his "blue period" portrait of Angel Fernandez de Soto which sold in May for \$29.2m. Sir Andrew was doing his best to kick-start the market: once the big players return, renewed confidence will filter down to the dealers in the Fulham Road and the Cotswolds. This is happening, but fitfully.

Sotheby's was happy with its major winter Impressionist and modern sale in London, which totalled £15.6m and was 85 per cent sold by value. A tiny, gem-like Gauguin did well at £3.2m. Christie's brought in £13.3m, with a Brancusi bronze making a disappointing £1.2m. Like New York, both recorded their best results in this sector since 1990, which means that in 1996 yet more choice works will reach the salerooms – many from Japan which has a vast stock of over-valued post-1870 art acquired during the '80s.

As well as pictures this era of crazy buying embraced jewels, but while art prices have often halved, the value of top quality jewels, especially blue diamonds, just paused. Some of the richest people in the world are buyers, notably the Sultan of Brunei, and there seems to be no dimming of their enthusiasm.

In Geneva in November jewellery owned by the Princess Salimah Aga Khan, the recently-divorced wife of the Aga Khan, sold for £17.7m at Christie's, with every lot finding a buyer. The star lot, a deep blue heart shaped diamond of 13.78 carats known as the Begum Blue, went to the London retailer Laurence Graff for £5m. In May in Geneva Sotheby's sold a 100 carat diamond to Sheikh Ahmed H. Fitaihi for £10.5m, a record for a jewel of any kind.

There are very few British buyers for the best post-1870 art or for the best jewels. UK collectors stick to furniture, silver and British art. Here the improvement in demand is more modest, but still real. Christie's was encouraged by its November auction of modern art, which was 80 per cent sold by value.

Stanley Spencer's "Crucifixion" doubled its estimate, selling for £463,500, a return to his peak price levels of 1990. Munnings was also in demand, with "Shrimp and the white pony", making £205,000. The star of the year, however, was L.S. Lowry: "Political meeting" sold for £122,500 while at Sotheby's "Peel Park Salford" just topped £100,000. Furniture survived the recession stronger than other markets and in 1995 Christie's sales of English furniture alone topped £21m. At Sotheby's in November 87 per cent of the lots offered sold, with a George III Chinese mirror painting making a record £298,500.

In December Sotheby's Old Masters sale totalled £20.3m, its highest since 1989, but this is still a selective market. One of the few Rembrandts still in private hands made a modest £3.85m, because its mythological subject was untypical, while "The finding of Moses", painted by Gentileschi for King Charles I, was inexpensive at £5m. Dutch 17th-century and French 18th century-paintings are sought after, and Christie's did better than it expected when a Canaletto view of San Marco topped £1m.

Another feature of the year was celebratory sales. Link an antique to a famous name and its value soars. This was notably true with Rudolf Nureyev. The contents of his apartments in Paris and New York totalled almost £7m at Christie's, double the estimate, with the extraordinary price of £12,075 paid for one pair of battered pink ballet shoes.

Every year is a good one for collectables, which attract buyers bewitched by the image of an object rather than by its intrinsic value. In September a world record was set at Sotheby's for a pop music manuscript when Paul McCartney's handwritten lyrics for "Getting better" sold for £161,000, quite close to the £276,500 which a few weeks later secured the autograph manuscript of the seminal First World War novel "All Quiet on the Western Front".

At Christie's South Kensington a 1790 Valentine card made a record £770; a typewriter a record £55,750 (although it was the gold plated model on which Ian Fleming bashed out his James Bond novels); a Winnie-the-Pooh first edition a record £8,750; and an Enjalbert Photo-revolver de Poche spy camera a record £35,775.

The most significant change happened behind the scenes. In the spring Christie's, then Sotheby's, announced that they would no longer negotiate for important collections. Much of their profit was disappearing as owners played one saleroom off against the other. From September they both applied a sliding scale of charges, which means that even owners of properties valued at over £3m must pay – but only 2 per cent of the hammer price.

Dealers are still finding life difficult and even antique fairs, which blossomed during the recession, now offer no guarantee of business. There are just too many of them. But 1995 was generally better than 1994 and the more experienced dealers are telling themselves that the market has returned to normal after the quite unreal trading conditions of the mid-to-late '80s.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERT
Deutsche Oper Berlin
Tel: 49-30-3438401
● Carmina Burana: by Orff. Performed by the New London Consort, with conductor Philip Pickett, and the Chor und Orchester der Deutschen Oper Berlin; conducted by Rafael Frühbeck de Burgos. Soloists include Fionnuala McCarthy, George Fortune and Uwe Peper; 7.30pm; Dec 29
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: with conductor Rafael Frühbeck de Burgos and the Rundfunkchor Berlin perform Beethoven's "Choral Fantasia" and "Symphony No.9". Soloists include pianist Annerose Schmidt, soprano Eva Johansson, alto Ute Walther, tenor Endrik Wottrich and bass Erich Knodt; 7.30pm; Dec 30, 31 (4pm)
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, the female singers from the Ernst-Senff Chor and soloists Sylvia McNair, Angelika Kirchschlager and Barbara Sukowa perform Mendelssohn's music to "A Midsummer Night's Dream" and "Symphony No.4"; 7pm; Dec 30, 31 (5.15pm)

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Hallé Orchestra: with conductor Martin Yates and the Pro Music Chorus of London perform Act II, New Year's Eve party scene from J. Strauss' "Die Fledermaus" and excerpts from Lehár's "Die Lustige Witwe". Soloists include Amanda Thane, Lilian Watson, Gloria Parker and Philip Salmon; 7.30pm; Dec 30
● Mozart in Costume: the Mozart Festival Orchestra with conductor Ian Watson and horn-player Jeffrey Bryant perform works by Mozart in authentic 18th-century costumes; 7.30pm; Dec 29

■ BONN

MUSICAL
Oper der Stadt Bonn
Tel: 49-228-7281
● Anatevka: by Bock. Conducted by Hansgeorg Koch and performed by the Oper Bonn. Soloists include Katja Bellinghausen, Jacqueline Kornmüller, Bert Oberdorfer and Peter Beck; 8pm; Dec 29, 30

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Triumph of Death: a choreography by Flindt after Ionesco's play "Jeux de Massacre", performed by the Royal Danish Ballet; 8pm; Dec 30

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Le Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert and performed by the Sächsische Staatsoper Dresden. Soloists include Andreas Scheibner, Claudia Kunz, Eva Kirchner and Jukka Rasilainen; 7pm; Dec 29

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle
Tel: 49-40-24862612
● Jannis Kounellis: Kounellis created an installation for the museum at its special request. At the same time a retrospective of his work is on show; to Jan 7
OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● La Bohème: by Puccini. Conducted by Elio Boncompagni and performed by the Hamburg Oper. Soloists include Lucia Mazzaria, Franco Farina and Albert Schagidullin; 7.30pm; Dec 29; Jan 2

■ LAUSANNE

OPERA & OPERETTA
Théâtre de Beaulieu
Tel: 41-21-6432211
● Le Comte d'Ory: by Rossini. Conducted by Evelino Pidò and performed by the Orchestre de Chambre de Lausanne and the Choeurs de l'Opéra de Lausanne. Soloists include Alessandro Corbelli, Valérie Lecoq, Jeffrey Francis and Nadine Chéry; 8pm; Dec 31 (7pm); Jan 3, 5, 7 (5pm), 8, 11

■ LONDON

CONCERT
St. Martin-in-the-Fields
Tel: 44-171-8300089
● Annetta Servadei: the pianist performs works by Sibelius, Grieg, Mendelssohn, Rachmaninov, Brahms and Liszt; 1.05pm; Dec 29
Wigmore Hall Tel: 44-171-9352141
● Brindisi String Quartet: with pianist Barry Douglas perform works by Purcell, Bartók and Brahms; 7.30pm; Dec 30
JAZZ & BLUES
Royal Festival Hall
Tel: 44-171-9604242
● Robert Carter Quintet: piano-led contemporary jazz classics and originals, featuring Andy Panayi (saxophone), Martin Shaw (trumpet), Tim Wells (bass) and Mark Fletcher (drums); 5.15pm; Dec 29
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-3044000
● Aida: by Verdi. Conducted by Daniele Gatti and performed by The Royal Opera. Soloists include Sharon Sweet, Nina Terentieva, Leah-Marian Jones, Dennis O'Neill and Simon Estes; 7.30pm; Dec 30

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6522
● Georg Baselitz: this large-scale exhibition, which premiered at the Guggenheim Museum in New York, surveys Baselitz's works over the past 30 years, including 100 paintings and several sculptures; to Jan 7

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Symphony No.9: by Beethoven. Performed by the Münchner Philharmoniker with conductor Dennis Russel Davies and the Philharmonischer Chor München. Soloists include Reinhild Runkel, Alexander Spemann and Hans Sotin; 8pm; Dec 30, 31 (5pm) ; Jan 2

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin and soprano Julia Migenes perform works by Gershwin, Rodgers, Anderson, J. Strauss, Lehár and others; 8pm; Dec 30
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Nancy Wilson & her Trio: featuring Llew Matthews, John B. Williams and Roy McCurdy; 9pm & 11.30pm; Jan 2, 3, 4, 5, 6, 7

■ PARIS

EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Rétrospective Paul Cézanne: major retrospective exhibition of works by the French painter Paul Cézanne. The exhibition includes paintings and watercolours by Cézanne lent from private and public collections throughout the world. In 1996 the exhibition will also be on display in London and Philadelphia; to Jan 7
THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Le Misanthrope: by Molière. Directed by Simon Eine. The cast includes Alain Pralon, François Beaulieu, Dominque Constanza and Yves Gase; 8.30pm; Dec 31

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-221795
● Fidelio: by Beethoven. Conducted by Robert Spano and performed by the Oper Stuttgart. Soloists include Anne Evans, Louise Walsh, Michael Ebbecke and Wolfgang Probst; 7.30pm; Dec 30; Jan 4
● La Traviata: by Verdi. Conducted by Francesco Corti and performed by the Oper Stuttgart. Soloists include Carla Basto, Annette Kuhn, Alexander Fedin and Jörn Wilsing; 7.30pm; Dec 29

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● *Die Frau Ohne Schatten*: by R. Strauss. Conducted by Christoph von Dohnányi and performed by the Oper Zürich. Soloists include Gabriele Lechner, Anja Silja and Gwyneth Jones; 6pm; Dec 30

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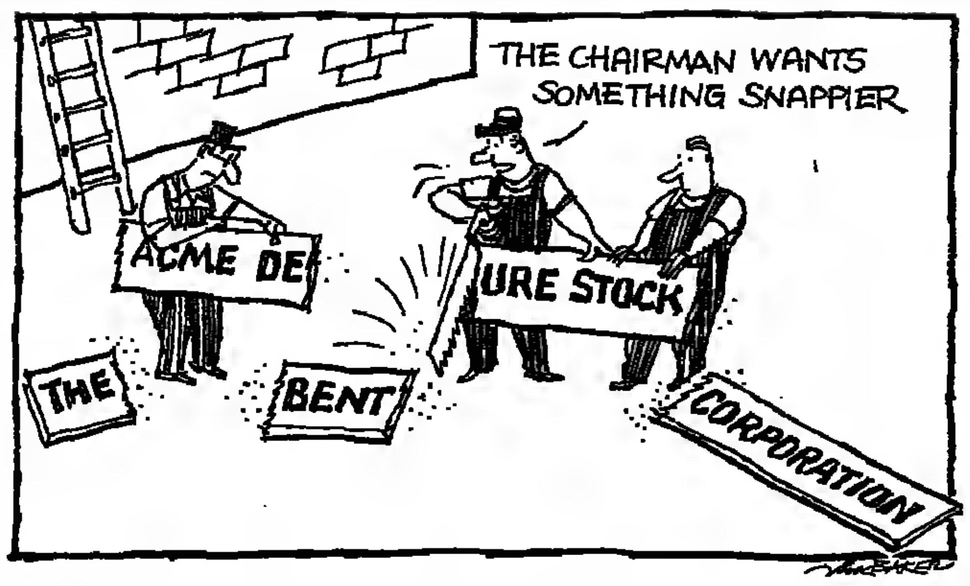

Game of the name

Tony Jackson sifts through the prosaic, dull and delightful things US companies call themselves

One of the joys of dealing with corporate America is the names of the companies themselves. Granted, some are so dull as to strain belief: Standard Products, of Cleveland, Ohio; or Allied Holdings, of Decatur, Georgia. But there are any number of gems to compensate: Otter Tail Power, Equitable Bag, Grease Monkey Holdings or the Bugaboo Creek Steak Company (stock symbol: RARE).

The more exotic names can be classed under three headings: those that describe what the company does, those that do the reverse and those that are total gibberish.

Take, in the first category, Great American Backrub. As you might expect, it rubs people's backs. Similarly, Just For Feet Inc. runs a chain of shoe shops.

In the second class, a fine specimen is the boldly named Giant Group. Until recently, this was a small and struggling cement-maker in South Carolina. After a rather abrupt change of business it is now a tiny and struggling drive-through hamburger chain in Beverly Hills.

Or again, take the retail chain All For A Dollar, of Springfield, Massachusetts. It used to sell a wide range of goods – toys, books, sweets – each for the aforesaid sum. Early this year it went bust. It could now be renamed All For 35 Cents, since it is paying that amount on the dollar to its creditors.

The gibberish category offers the richest field for speculation. In what business might the Aristotle Corporation be? Something abstruse and learned, plainly. No, actually, it makes women's underwear.

Here are some less obvious ones: try guessing the business of Phaseout of America, the Failure Group, and Smart and Final*.

Consider the splendidly entitled Frontier Adjusters of America. The purpose of this outfit seems clear, if slightly startling. One pictures its operatives at work under cover of darkness: chipping off a piece of Canada here, a chunk of Mexico there. The reality – that it is a small insurance company in Phoenix, Arizona – is almost too dull to bear.

Such quirks aside, a broader question arises. Why is it that some industries in America produce companies with nice names, some with ugly ones?

In ugliness, the winner by a fair margin is the biotechnology industry. Anxious to show how high-tech and exciting they are, biotech companies take a handful of terms – gene, tech, bio, immune, enzyme – and hang them together at random.

Thus Genentech and Genzyme, Biogen and ImmunoGen, Gendex and Immunex. When the attempt is made to be more imaginative, the results are horrible: Bioject, Medclone and DepoTech. Worst of all are the puns: SciClone Pharmaceuticals, PerSeptive Biosystems and Incyte.

One might infer that all technologists were tone-deaf as well as boring. But in high-tech electronics, some of the names are rather pretty – Apple, Lotus, Cypress Semiconductor and Cirrus Logic. There is even one that contrives to poke fun at that tired old prefix, General (as in General Motors and General Mills): the software company General Magic.

> Names can be classed under three headings: those that describe what the company does, those that do the reverse and those that are total gibberish

Given the restless nature of corporate America, the names of companies are always changing. It is also characteristic of America that there should be a company that devotes itself to recording those changes, called Interbrand Schechter (a name that could use some work itself).

On average, Interbrand Schechter says, one American company in 50 changes its name every year. Its list of changes this year is dispiriting. The trend is pretty uniform. For an interesting name, substitute a boring one: for a boring one, a set of initials.

Universal Medical Buildings has managed the remarkable feat of making itself sound less interesting by renaming itself Integrated Healthcare Facilities. Explosive Fabricators has become Dynamic Materials. American Colloid is now AMCOL International. Health-Mor Inc. has become HMI Industries.

Public utilities, seemingly frantic to hide their origins, have sought disguise either in initials or in pure vagueness. Rochester Telephone has become Frontier Corp. Another phone company, Southwestern Bell, is now SBC Communications. Pennsylvania Power & Light has turned into PP&L Resources.

Sadly, the phenomenon is not confined to the US. Old far eastern hands will recall that the empire of Sir Y.K. Pao was once called the Hong Kong and Kowloon Wharf and Godown Company Limited. In these drab days it is known as Wharf (Holdings).

Check the UK stock prices in this newspaper under the heading of "Building Mats and Merchants", and you will find a company by the unremarkable title of Breedon. A mere decade ago it gloried in the name of The Breedon and Cloud Hill Lime Works.

America, though, is still the land of the free. For every new set of initials, there will be a name to fire the imagination or challenge logic. So let's hear it for the originals: Consolidated Cottonballs, Rocky Shoes and Boots, and the Fifth Third National Bank.

Phaseout of America makes a device to help people stop smoking. The Failure Group analyses engineering failures. Smart and Final is a food distributor.

LEADERS FOR A NEW MILLENNIUM

Condoleezza Rice · By Christopher Parkes

Package still under wraps

Conviction rather than planning has carried Ms Condoleezza Rice beyond the limits of most mortals' expectations.

She looks back with unabashed pride and confidence on a two-year appointment in Washington at the start of the decade. Then, as the Soviet affairs specialist at the elbow of former president George Bush, she called the odds on German unification and the end of the Soviet empire.

Now she marshals the revolutionary forces of higher education from her position as provost at California's famed Stanford University. And she is still only 41.

"I don't find the package in which I come all that interesting," says Ms Rice. Her youth, colour, sex and – in the context of her post at a liberal-thinking stronghold – her Republican party membership have long been considered remarkable.

Fans tout her as a future secretary of state. Her teacher father, bringing her up in "Jim Crow Alabama" instructed her that while "Whites only" signs barred her from eating in Woolworths' cafeteria, there were no such obstacles to her becoming president of the United States.

While she has no shortage of conviction, she says forward planning takes up little space on either her personal or professional agenda.

"The danger in a university is that you can over-structure or over-predict what the future is going to look like rather than create the conditions in which the future emerges rather naturally," she says.

The $43m deficit she took on when she arrived is shrinking under her brisk cost-saving regime. This approach led her into hot water shortly after her arrival, with protests and a student hunger strike over service and staff cuts. Although she was shaken by the reaction, she has no time for complaints that she lacks compassion. "I am direct," she says. The faculty way of building consensus may have its merits. "But sometimes someone has to draw a line between informing, consulting and deciding."

Administrative chores apart, Rice sees herself primarily as an educator. She is collaborating on a book-cum-research project which addresses her interest in the role of the military in politics. But she reserves most of her energy for the job of maintaining the ferment at Stanford – "the cacophony" she calls it – which makes university one of the "few transforming experiences we have left".

Freshmen and leading-edge researchers, 18-year-old Nebraskans and 60-year-old foreign Nobel laureates come together at Stanford. "People with myriad experiences from the city or the countryside. People with different cultural backgrounds. American universities are places where social strata are being violated all the time," she says.

> **'The danger in a university is that you can over-structure or over-predict'**

She contributes personally to the ferment with an annual wager. "I bet our freshmen each year that 30 per cent of them will end up studying something here which they did not even know existed when they arrived.

"That is the nature of higher education," she says with the conviction of one who went from Birmingham, Alabama, to Denver University to study music before switching to international politics.

However, she seems troubled that she can see less of the steely resolve that assured her own future in today's students. "There is less of the belief that they can overcome whatever obstacles are placed in front of them. They have a tendency to think of themselves statistically rather than individually. They say 'if X happens to Y per cent of women, it follows that I have a Z per cent chance of whatever'. She says: "I don't think I ever had that sort of conversation with myself."

Although no stranger to the forces of change in the world beyond Stanford, she claims no inclination or desire to return to the foreign affairs arena. "I don't suffer from Potomac fever in the way it afflicts many people who have worked in Washington and spend the rest of their lives wanting to go back. I can say in all honesty that I don't spend a waking moment thinking about whether to go."

Such a lack of ambition is understandable for a Republican sitting out another Democratic presidency. But Ms Rice says it is hard to see any circumstances that would tempt her back to Washington. "I had a chance to finish so much in those two years that I have no thirst to try to do it again," she adds.

Political events apart, she sees little prospect of resurrecting the personal circumstances which made her spell at the former president's side so memorable. "I ask myself if I would ever heve that constellation of forces, events and personalities again . . . a president I adored . . . George Bush, for whom the great issues at the end of the cold war were priority number one.

"My colleagues were the smartest people I had ever met, and we all hit the ground together with resolution of the issues that I had been taught were the most important in the international policy field on the table. Yes, maybe I have been spoiled."

And if the lessons have been absorbed, the convictions which steered her through the events of five years ago have been sharpened even further.

"On German membership of Nato, I was told by lots of people to go for something sub-optimal. I was told the Soviets would never accept Germany unified and integrated into Nato with US forces still on the ground and Soviet forces going home. I was told it would be intolerable to the Russians and not to even try it.

"As a matter of fact, that's exactly the deal we got. Now, as a result, when you look at Nato's role in Bosnia you say to yourself if we'd gone for something less than that – something sub-optimal – we would now have a shell of an organisation, not one that is capable of taking on the kind of problem it's about to deal with."

She allows her voice to take on the faintest tinge of triumph. It is a rare show of emotion in an hour during which her bright voice dips only in references to her father and her personal beliefs.

"I look at life in quite a linear fashion. I don't look too far ahead," she says. "If you try to plan what your next adventure is going to be, it is a sure bet you are not going to enjoy or do a good job with whatever you are doing now."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 0171 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution. e-mail: letters.editor@ft.com

A way out for Names – or bully-boy tactics

From Mr Nicolas Mellersh.

Sir, Proof that Christopher Stockwell, the chairman of the Lloyd's Names Associations' Working Party, has finally lost touch with reality is provided by your story of December 23 ("Government sends tough 'run-off' warning to Names").

If he really believes that the government is unlikely to take action to freeze the assets of Names because it would involve action "against thousands of members of the electorate", he must also believe in Santa Claus and that pigs have no problem flying.

Apart from the harmonisation of excise duties with the rest of the European Union, it is hard to think of a measure more popular with the electorate than emptying the pockets of a bunch of fat cats with more money than sense who are whingeing about losing money in the casino they fought to join.

That is how he and I and the rest of the membership are seen by the world at large. The only way out for all of us is by way of the reconstruction and renewal plan, however imperfect that may be.

Nicolas Mellersh,
Glengarry,
26 Fish Lane,
Aldwick,
Bognor Regis PO21 3AH, UK

From Mr J. Garton-Jones.

Sir, Members of the Names Defence Association have never objected to paying valid and lawful claims. However, the association believes that not all Lloyd's claims are valid or lawful, therefore the Department of Trade and Industry may be in no position to seize members' assets or enforce payment.

We believe that Lloyd's and its agencies should open their accounts to independent scrutiny. They will not permit this and Names will draw their own conclusions.

The DTI's suggestion that allowing Lloyd's to go into run-off would cause a rapid crystallisation of claims in a way different from the establishment of Equitas is spurious. Names are being asked to fund Equitas *now* with reserves against future claims, in effect crystallising claims immediately, a situation no different from the one the DTI threatens if Equitas is not established and Lloyd's goes into *run-off*.

Names would be unwise to yield to these threats and bully-boy tactics.

J. Garton-Jones,
vice-chairman,
Names Defence Association,
Westlands,
Weston Rhyn SY10 7LB, UK

Roulette of flexible strategies

From Mr Andrew Campbell.

Sir, Tom Lloyd's "In search of the core of the company" (December 22) should be required reading for all those developing strategies. It admirably exposes the confusion arising from the word "core" and opens up a crucial debate about what should be the strategic boundaries of a company.

Lloyd then undermines his arguments by rejecting the concept of focus along with the term "core". He recommends flexibility, and calls for companies to pursue a "range of strategic options".

But focus is essential to good strategy. The question is not whether to focus, but what to focus on. Should managers try to identify today's "core" and build on it, or should they identify tomorrow's opportunity and focus on that? Both can be successful.

So long as the company is good at what it does and chooses real opportunities, the strategy is sound. Flexibility for its own sake is to abandon strategy in favour of roulette.

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
17 Portland Place,
London W1N 3AF, UK

Advisers' role defended

From Mr Terence O'Holloran.

Sir, In support of Barry Riley, I wonder if Mr Lawrence (Letters, December 15) has ever actually read the statistics. Which? magazine has a habit of using a sample of 30 or 50 to prove allegations against arguably 140,000 financial advisers.

It is not prescriptive about how it picks its advisers and has a sloppy and inaccurate methodology when it comes to assessing information that it collects.

Mr Lawrence mentions Knight Williams which had a reported 400 complaints against its investment advice. This out of 24,000 clients. The company having been forced into liquidation apparently leaves 23,600 reasonably satisfied clients without financial advice because of a less than 2 per cent error rate.

Mr Lawrence refers to pensions mis-selling. Out of the reported 6.4m policies put into force over a three to four-year period, how many have evidenced signs of mis-selling? The head of the pensions unit, Joanne Hindle, in June mentioned that they had had 12,500 telephone calls – not complaints, calls. Under 2 per cent.

Mr Lawrence may be interested to learn that my own investigations taking in nearly 500 financial advisers reveal an industry failure rate on all mis-selling in any circumstances over the financial lifetimes of all clients interviewed in a 12-month period of 5.6 per cent.

Not good but not "appalling", not "most advisers", not £232m per year of regulation and certainly not enough to justify 330 people employed by the PIA.

Terence O'Halloran,
O'Halloran & Co,
St James Terrace,
88 Newland,
Lincoln LN1 1YA,
UK

Student loans run unfairly

From Mr Tim Miller.

Sir, Some years ago I was invited to become a non-executive director of the Student Loans Company. At the time I thought the payment proposals were unfair. They hinged on the proposition that on average, graduates earn more than non-graduates.

But the averages hide lots of graduates who do not earn more. I said I would only accept if there were a fairer method of recovering loans.

I suggested adjusting the individual's tax code, so if the course produced higher earnings the costs would be automatically and relatively painlessly recouped. But simplicity and fairness were not on the agenda. Maybe the time has come to review them.

Tim Miller,
chairman,
Portfolio Fund Management,
64 London Wall,
London EC2M 5TP, UK

Canadian labour costs undercut US

From Mr Harry Baumann.

Sir, in your Lex column of December 19 on the purchase of Neilson by Cadbury Schweppes you note: "Canadian labour costs are higher than those south of the border." Canadian wages have not been above their US equivalents since 1993. The US Bureau of Labour Statistics quotes total compensation costs of $15.31 per hour for the US and $14.70 for Canada in the food, beverage and tobacco industry in 1993.

It is possible to find community by community comparisons for which the national average does not apply. However, in general terms, higher Canadian compensation costs are now behind us.

Harry Baumann,
Government of Canada,
Privy Council Office,
1 Front Street West, Toronto,
Ontario M5J 1A4, Canada

COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday December 28 1995

Bleak outlook for Turkey

Two weeks ago the European Parliament swallowed its scruples over human rights and voted to approve the customs union between Turkey and tha EU, which thus comes into force next week. MEPs had been given to understand that by doing so they could avert a victory for Islamic fundamentalists in the approaching Turkish elections. Any who were swayed by this argument must have been dismayed to learn from news bulletins on Christmas Day that the Islamists of the Refah (Welfare) party had triumphed after all.

The result is, of course, more complex than that. With 21 per cent of the popular vote and 29 per cent of the seats, Refah will indeed be the largest group in the new Turkish parliament. But its supporters are still easily outnumbered by the combined strength of the two pro-western conservative parties – the True Path party (DYP) of tha incumbent prime minister Tansu Çiller and the rival Motherland party (Anap) led by Mesut Yilmaz. Those two parties won 39 per cent of the popular vote and together fall only just short of an overall majority, which they can attain by forming a coalition with either or both of the two secular leftwing parties. On Tuesday they announced their intention of doing just that.

Rearguard action

The irony is that Anap and the DYP would bave had an overwhelming majority in the outgoing parliament if they could have sunk their differences, which relate almost entirely to personalities and to past history. Their inability to do so meant that Mrs Çiller governed in coalition with social democrats who fought a damaging rearguard action against the more liberal aspects of her economic programme. Now the conservatives will need to collaborate both with leftists and with each other if they are to keep Refah out of power. And the fact that the two conservative parties are now exactly equal (the DYP having three more seats than Anap but a fractionally lower popular vote) will make it harder to agree on a new government.

The elimination of parties winning less than 10 per cent of the national vote, supposed to strengthen political stability, could hava the opposite effect in this case. The extreme right, hitherto represented in parliament by the National Action party, may now be tempted by violence. More serious is the exclusion of Hadep, the party which won the largest number of votes in four south-eastern provinces by campaigning for a peaceful solution to the Kurdish nationalist uprising. Many Kurds in that area will see their own preferred candidates excluded from parliament in favour of others who won fewer votes. This can only strengthen the feeling that there is no way to assert a Kurdish identity in Turkey, except by armed struggle.

Kurdish priorities

The Kurdish issue, along with inflation and unemployment, is one of the priorities Necmettin Erbakan, the Refah leader, says he would like to pursue in a coalition government. He has not spelt out how he would solve it, and his economic nostra such as exchange controls and the gradual abolition of interest on bank loans would hardly improve the economy. But it is perhaps a pity that he will not be given the chance to try.

Instead Turkey is likely to live through a further period of political instability, with a divided, fractious and probably corrupt governing coalition whose only apparent *raison d'être* will be to keep Mr Erbakan out of power. To have a hope of success, the ruling parties must confront the economic problems that have created the conditions for Refah's success. They must stabilise the economy and carry through radical reform to put Turkey on the path of rapid and sustained economic growth.

Unfortunately, things have been left so late that failure to undertake the task would make it easy for Refah to continue winning support, and even a serious attempt would not necessarily reverse the trend. Unless Turkey's secular politicians can improve spectacularly on their past record, the prospect of an "Algerian" scenario – in which the country ends up, after the next round of elections, with a war between a secular establishment and a radical religious opposition – is all too real.

Jobs for the new year

Long-time critics of European monetary union looked on with ill-disguised glee last month at tha bedlam in Paris caused by the attempts of Mr Alain Juppé, French prime minister, to steer the austere course to a single currency. Emu enthusiasts such as Mr Juppé face a particular, political challenge over the coming year: explaining the benefits and relevance of a single currency to an as yet underwhelmed electorate. As far as economic policy is concerned, however, every government in Europe is in the same *bateau*: needing to prove that reductions in public borrowing can be combined with job-producing growth.

One might conclude, from the modest time devoted to the subject at EU gatherings, that unemployment had dropped sharply in the two years since the European Commission's competitivaness white paper proclaimed it Europe'a number one problem. But joblessness has not fallen since 1993 – only policymakers' confidence in their ability to reduce it.

Despite average GDP growth in 1995 of around 2.7 per cent, 11.1 per cent of the European labour force – around 17m peopla – is out of work. This is roughly the same rate as two years ago, and only fractionally below the 1994 peak of 11.5 per cent. It is also higher than the previous peak of 10.4 per cent in the mid-1980s, and double the rate in 1979.

Part of the reluctance to dwell on such statistics is clearly Emu-related: even supporters tend to assume that attempts to meet the Maastricht criteria for government borrowing and debt are difficult to combine with any determined effort to boost employment.

Nordic countries

Yet convergence criteria or no convergence criteria, the sharp rise in public borrowing in Europe over the last 15 months would have had to be tackled. And, even if money were not so tight, the recent, salutary experience in the Nordic countries would have argued against direct fiscal expansion as a response to European joblessness. In fact, reducing unemployment in the present climate of spending cuts, tax rises and "pausing" growth requires a different approach entirely.

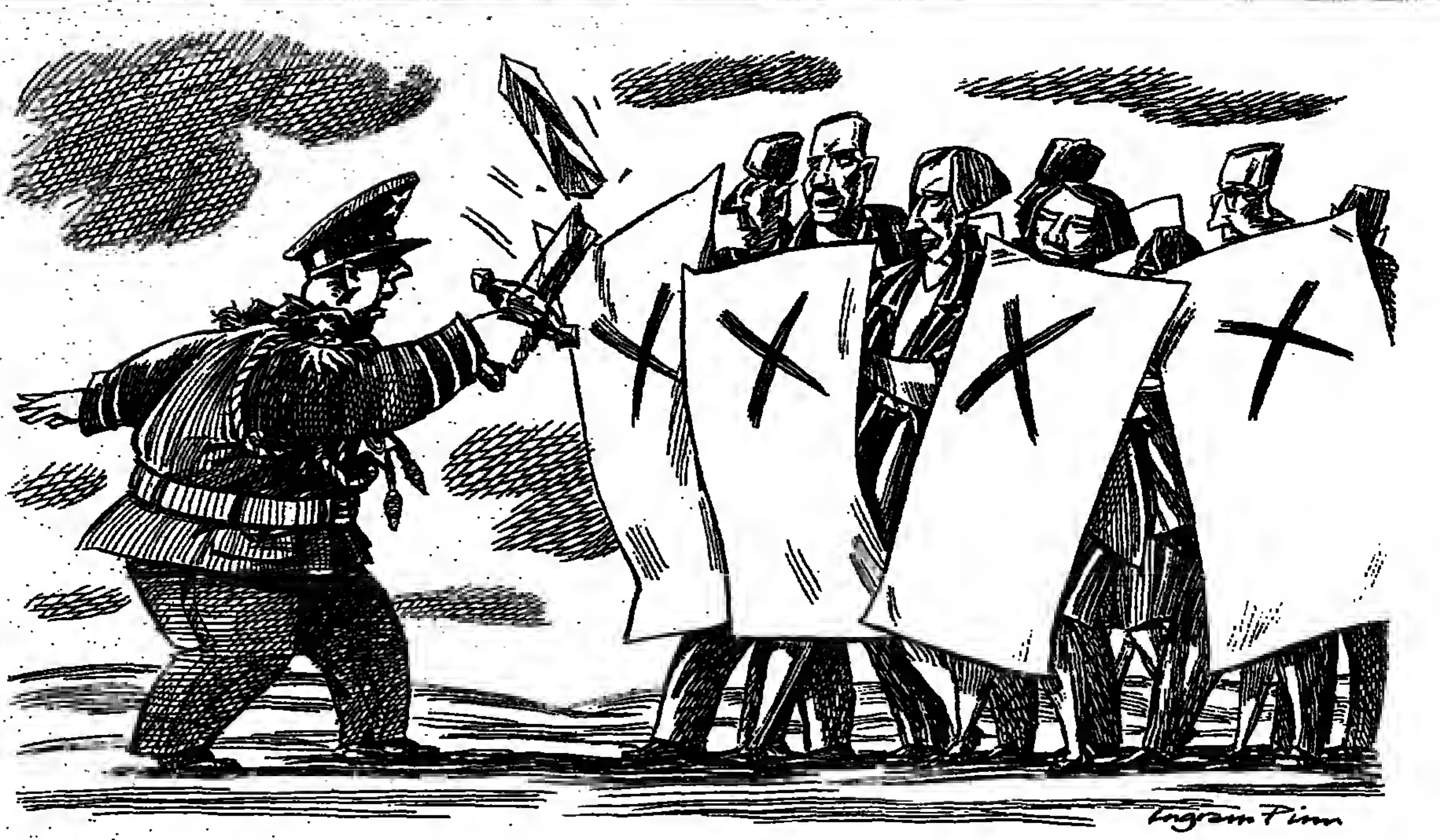
First, and most immediate, central banks should be alert to the need to sustain consumption and investment, as far as possible, through lower interest rates. Reasonable growth, built on a compensatory loosening of monetary policy, would ensure that, far from being inconsistent with one another, cutting budget deficits and reducing unemployment went hand in hand. Unemployment benefits cost member governments about 2 per cent of GDP per year, but the total cost, in the form of other subsidies to jobless individuals and families and foregone tax and social security revenues, is a good deal larger.

Virtuous circle

The recent, downward revisions to European growth forecasts may help to explain the seemingly universal pessimism about Europe's chances of achieving such a virtuous circle of higher employment and lower public spending. But there is a deeper, "structural" pessimism at work, relating not simply to future European growth rates but to policymakers' determination to channel this growth into creating more jobs.

The 1993 white paper reckoned that around two-thirds of European unemployment was "structural". But structural does not mean indelible. Cutting the level of non-wage labour costs and a degree of labour market deregulation are two potential remedies. Arguably, though, product market restrictions, particularly in continental European service industries, are an equally large obstacle to rapid job creation.

Boosting competition in service industries is largely a matter for individual governments rather than Brussels. But a more vigorous pursuit of the single market in such areas as Europe's utilities, postal and transportation industries would work in the same direction. If the European Commission decides it wants to spend less tima next year persuading voters to swallow tha costs of monetary union, and more time trying to reduce them, here would be a good place to start.



Mightier than the sword

Since democracies do not fight one another, their growing number increases the likelihood of peace, argues Martin Wolf

Peace on earth is the promise of Christmas. It has been regularly made and as regularly broken. But the collapse of the Soviet Union and the "peace processes" under way in South Africa, the Middle East and Northern Ireland suggest things may be changing. If so, the reason would not be mass religious conversion, but something more reliable: the growing sway of democracy.

Immanuel Kant, greatest of German philosophers, first described this path. In the late 18th century, he predicted that republics – by which he meant states that enjoy representative institutions, institutional checks and balances, individual rights and the rule of law – would not make war upon one another. From Kant, the view that democracy would bring peace descended, via various 19th century liberals, notably in the UK, to Woodrow Wilson, US president during the first world war. Wilson's 14 points, which defined US war aims, "sound almost as though Kant were guiding Wilson's writing hand".[1] His ideas remain, to this day, the most influential and the most politically resonant in the US.

Against Kant stands a still older tradition, which goes back to Cardinal de Richelieu, first minister of France between 1624 and 1642. This is *Realpolitik*, *raison d'état* and the balance of power. "Realism", too, has its US protagonist, Dr Henry Kissinger, secretary of state under Richard Nixon. As Dr Kissinger explains in *Diplomacy*, his *magnum opus*: "*Raison d'état* asserted that the well-being of the state justified whatever means were employed to further it." For the realists, states live in a Hobbesian state of nature, where life is nasty, brutish, but, countries being virtually immortal, long. They acknowledge neither law nor morality, only national interest. And they remain at peace only if the balance of forces makes this in the perceived national interests of each.

For the realists, bow a state judges its national interest is unaffected either by its own political structure or by those of the states with which it is forced to deal. In its prime, the UK ignored changes in other countries' political arrangements, focusing instead on their external policies. Elaborating this traditional British view, Lord Palmerston, foreign secretary and prime minister in the middle of the 19th century, insisted that "we have no eternal allies and no permanent enemies". But "our interests are eternal, and those interests it is our duty to follow".

Realpolitik appeals to those who staff the chancelleries of great powers. But a growing body of evidence suggests that Kant was correct. In 1977, Sir Michael Howard, then professor of the history of war at Oxford University, agreed that "one of Kant's prescriptions for perpetual peace, that 'the Civil Constitution shall in every State be Republican' has been validated". Peace among democracies is, in the words of another scholar, "the closest thing we have to an empirical law in the study of international relations".[2]

Working with a number of collaborators, Professor Bruce Russett of Yale University has provided the most systematic analysis of the evidence. The study concludes that:

- democracies are far less likely to use lethal violence towards other democracies than towards autocracies or than autocracies towards one another;
- sovereign, stable democracies have not waged war against each other in the modern international system; and
- peace among democracies is not just the result of the economic and geopolitical features of these states, but of democracy itself.

Over the past 50 years, pairs of democratic states have only been one-eighth as likely as others to threaten to use force against one another and only one-tenth as likely to carry out such threats. Democracy is not all that matters. The richer and more economically dynamic a pair of countries, the less likely they are to come into serious conflict. The same is true for membership of the same alliance. But the more stably democratic is any pair, the less likely the countries are to clash, other things equal.

Perhaps the most intriguing result is that democracies are not, in general, more peaceful than others. They are merely more peaceful with one another. But even this conclusion may need to be modified. Another group of authors tentatively suggests that "democracies are less likely to initiate crises with all other types of state, but once in a crisis democracies are only less likely to initiate violence against other democracies".[3] If true, this would suggest that democracies play "tit-for-tat" with non-democracies. They do not initiate conflict, merely retaliate when provoked.

The big question is why democracies behave in the way they do. Three broad explanations can be advanced for "the democratic peace": ideas, institutions and interests.

"It is hard to trust a regime that has no faith in its own people." These words – written in 1988 by Mr Andrei Kozyrev, subsequently Russia's foreign minister – precisely capture the line democracies draw between their relations with other democracies and those with non-democracies.

In wars with autocracies, democracies almost always distinguish the people, with whom they have no quarrel, from the ruler, with whom they do. But for one democracy to tyrannise over another is to violate democratic norms. This is why the border that divides the US from Canada has, notwithstanding the imbalance in power between the two countries, remained peaceful for so long. It is, more importantly, why the UK responded to the rise of the US, not by allying with the world's emerging second power, Germany, bot by seeking alliance with the US itself. It trusted the US and it did not trust Germany.

The second line of explanation notes that the checks and balances within democracies and tbe need for public debate slow down the march towards war. With no fear of surprise attack, there is plenty of time for shared democratic norms of negotiation and compromise to come into play.

The third sort of explanation starts from the fact that, as was remarked at the end of the 18th century, "war and conquest ... elevate the few at the expense of the rest; and consequently they may never be undertaken but where the many are the instruments of the few".

Military despots, military castes and merchants seeking monopolies in foreign markets fall naturally into the bellicose category. War is good for them. But wars always damage the combatants, in aggregate, and nowadays are almost always harmful to the totality of interests within any one participant. If all significant interests are represented within all countries in dispute, war is most unlikely. This need not be so, however, if one is an aggressive despotism and the other a democracy.

The operation of tbe interests against war is made more effective by the internationalisation of economies and by the realisation that a country can win more from peaceful commerce than it can ever gain from conquest or Colbertism. It is no surprise, therefore, that economic interdependence is, as Kant argued, yet another obstacle to war.[4]

Peace is the natural relationship between stable democracies. This is an increasingly significant proposition, because not only are the world's richest and most powerful states democracies, but by the early 1990s about half of all the states in the world were, to a greater or lesser degree, democratic. Since the forces that are driving countries towards representative political institutions are powerful, there is an excellent chance that the number of democracies will grow.

Since the way states behave is determined by what they are, the west is right to help promote the conditions for democracy in the former Soviet Union and central and eastern Europe. The west is also quite correct to distinguish between the democracies that are its friends and the non-democracies with which its relations should remain watchful, even wary.

Above all, Lord Palmerston was plainly wrong. Countries do not have eternal interests. Indeed, most of those that led the UK to war a century ago – notably defending routes to India – seem laughable today. It is their friendships that ought to endure.

[1] Bruce Russett, with others, Grasping the Democratic Peace: Principles for o Post-Cold War World (Princeton, New Jersey: Princeton University Press, 1993); [2] John M. Owen, "How Liberalism Produces Democratic Peace", International Security, Fall 1994, pp. 87-125. [3] David Rousseau, Christopher Gelpi, Dan Reiter and Paul K. Huth, "Does it Take Two to Tango? Assessing the Dyadic nature of the Democratic Peace, 1918-88", mimeo, 1995. [4] John R. Oneal, Frances H Oneal, Zeev Maoz and Bruce Russett, "The Liberol Peace: Interdependence, Democracy and International Conflict, 1950-1985, Journol of Peace Research, February 1996

TECHNOLOGY: Ultra-miniaturisation

The benefits of thinking small

In the future, scientists may be able to build materials atom by atom, says Clive Cookson

Until very recently, most visions of our technological future were on a grand scale: spacecraft, for example, ferrying people across vast distances to found colonies on other planets. But futuristic fashion now emphasises the ultra-miniature.

Exponents of nanotechnology – taken from the Greek word for dwarf – claim that the next millennium will be shaped above all by scientists' ability to manipulate materials atom by atom. They envisage miniature robots travelling through the human bloodstream and scrubbing fatty deposits off arterial walls, and molecular computers giving everyone the power of a supercomputer on a wristwatch.

Scientists and engineers with a wide variety of different approaches describe their work as "nanotechnology".

At the conventional end of the spectrum are researchers trying to push engineering techniques, such as precision machining and etching, to the limit of miniaturisation. The electronics industry spends billions of dollars a year looking for ways to cram components ever more densely on to silicon chips.

The latest commercially available chips have circuits as narrow as 350 nanometres (a nanometre is a billionth of a metre) and some of the components on experimental "quantum devices" are less than 10 nanometres – only a few atoms – wide.

Conventional nanotechnology starts with a relatively large block of material and whittles it away. But the visionaries in the field see far more scope in the opposite process – "bottom-up" fabrication – in which new materials are built up from scratch, atom by atom.

The best known nano-visionary is Eric Drexler, founder of the Foresight Institute in California. He believes that we could reshape our world with billions of microscopic molecular machines or "assemblers" that would put together any structure we wanted from cheap raw materials.

According to Drexler, meat will not come from animals grazing on grass; instead, molecular assemblers will weave vegetable waste into tender, BSE-free, low-fat steaks. The construction industry will convert cheap carbon into the ultimate building material – diamond.

Drexler's examples may sound like science fiction but he is a serious technologist, with an academic background from the Massachusetts Institute of Technology.

One scientist who shares Drexler's vision is Ralph Merkle. He heads a small nanotechnology unit at the California research centre of Xerox, one of the most forward-looking large companies in the US. (The company's research into computer interfaces during the 1970s laid the foundations of today's personal computing, though the main corporate beneficiaries have been Apple and Microsoft rather than Xerox itself.)

"From a material point of view we'll be able to have almost anything that we want; to the extent that you can describe and specify what it is you want, you'll be able to get it and get it inexpensively," according to Merkle. "Where today only someone who is very rich could afford a hand-crafted, specially designed thing, in the future if one person can have it, anyone can have it."

One inspiration for the Drexler-Merkle vision is nature itself. Cells and organic molecules work as natural assemblers in our bodies, and research in molecular biology is giving scientists a detailed understanding of the way they work. Biotechnology will be one source of expertise for molecular manufacturing.

Microscopy is another, quite different source. Scanning probe microscopes – invented in 1981 at the Swiss laboratory of International Business Machines, the US computer giant – gave scientists their first direct view of atoms, by moving an ultra-fine tip across a solid surface. An image is derived by measuring the repulsive forces between the atom at the end of the tip and the atoms on the surface.

During the 1990s researchers have been learning how to manipulate individual atoms with the scanning probe. Starting with a trick in which individual atoms of xenon were dragged across a nickel surface to spell out I B M in letters 5 nanometres high, they have gone on to make more complex nano-patterns.

Atomic manipulation with a scanning probe is still painfully slow – the process will have to be accelerated many billions of times if it is to be much practical use for molecular manufacturing – but it does at least prove tbe concept.

At the same time, some chemists are in the early stages of developing tools that could provide useful nano-devices. For example, Fraser Stoddart of Birmingham University in the UK has produced molecules called catenanes from a series of interlocking atomic rings. His ultimate aim is a molecular computer.

No one knows bow much nanotechnology will eventually draw on biology, physics and chemistry. Many of the predicted developments may be fantasies. But if a small fraction of what is predicted comes true, miniaturisation will be a dominant technical theme for the next century.

FINANCIAL TIMES
Thursday December 28 1995

Successful Islamic party offers compromise

Business tells Ankara to settle post-election crisis

By John Barham in Ankara

Turkey's business community yesterday called on mainstream politicians to find a rapid solution to the crisis following the general election in which the radical Islamic Refah party became the largest single party in parliament.

The call came as senior Refah figures said the party would be prepared to make significant compromises to take the leading role in a new government, while the secular parties continued talks to form a coalition to keep Refah out of power.

The employers' association Tusiad said the fact that Refah won over a fifth of the vote in Sunday's parliamentary election was a warning to the secular parties "to change their ways and adopt a new political understanding to deal with Turkey's problems before they grow any larger".

Business leaders fear that a long delay in forming a new government would create political uncertainty, further weakening the economy, which would in turn boost support for the Islamists. Inflation is accelerating, the currency has lost one-tenth of its value since Monday and the country has a heavy debt repayment schedule in the new year.

In the 550-seat parliament, Refah won 158 seats, the conservative True Path party of outgoing prime minister Mrs Tansu Çiller 135 seats and the rival conservative Motherland party 131. Two centre-left parties shared the remaining 126 seats.

Leaders of the four secular parties started coalition talks on Monday, but announced no progress yesterday. Commentators said negotiations could drag on for weeks, despite statements by Mrs Çiller and Mr Mesut Yilmaz, Motherland party leader, that they are willing to bury their personal differences and form an alliance rapidly.

Editorial Comment ....Page 9

The two centre-right leaders appear not to be under severe time pressure to reach an agreement – President Süleyman Demirel cannot call on any party leader to form a government until parliament has convened, which is likely to take another week.

Many observers are calling on Mr Demirel to observe political tradition and ask the leader of the largest party – Refah's Mr Necmettin Erbakan – to form a government. He would have no chance of doing so, as all other parties have said they will not enter an alliance with Refah, but commentators believe that respecting precedent would at least show the Islamists they are part of the democratic system.

However, Refah members claim Mr Erbakan could form a government. Mr Abdullah Gül, a senior Refah MP, said: "We are open to negotiations ... We are not opposed to the secular state, only to the way it is implemented."

The army – which has staged three coups d'etat since 1960 – has indicated that it would oppose Refah's participation in government.

Swiss workers 'the most satisfied in Europe'

By Robert Taylor in London

The Swiss are the most satisfied workers in Europe and the British among the most dissatisfied, according to a new survey of European employees' attitudes to their jobs.

Workers in France are among the most insecure and feel less positive than most about relations with their employer and identification with their company.

Italian, British and Hungarian workers have least respect for their supervisors and managers, while the Italians are most likely to believe they lack opportunities for self-development and that their employers are inefficient.

The findings are contained in the annual survey of European employee satisfaction by International Survey Research, the independent London-based organisation. It is based on findings carried out by over 400 companies in 17 European countries employing 8m people.

Overall levels of employee satisfaction are ranked from highest to lowest in response to 15 dimensions of a employee's life at work, including working relationships, operating efficiency, pay and benefits, safety, training, job security, quality of management and supervision.

Swiss workers were found to have the most favourable attitudes in nine of the 15 categories, coming top in terms of satisfaction with their work.

In second place came Danish workers (66 per cent) who were the most likely to approve of their companies' performance on training, pay, working conditions and development opportunities.

Workers from Norway and Austria took joint third place with 65 per cent. The Norwegians were particularly content with the way they were managed, the efficiency of their employers and chances for career development.

The Austrians scored highly on their favourable view of the quality of the work they produce and identifying strongly with their employers. Below the Austrians in the overall table were the Netherlands, Ireland, Germany and Portugal.

By contrast British workers (53 per cent) were the lowest or second lowest in terms of favourable responses in 10 of the 15 categories, showing, said the report, "the most marked decline in satisfaction levels" in 1995.

The only area where the report says British workers responded "relatively positively" was in expressing satisfaction with the level of their fringe benefits.

Employee Satisfaction: Tracking European Trends. International Survey Research Ltd. Obtainable free from Albany House, Petty France, London SW1H 9EE, UK.

Brokers warn of downturn as insurance rate cuts loom

By Ralph Atkins, Insurance Correspondent, in London

The new year renewal season for international commercial insurance and reinsurance policies is seeing further substantial cuts in premium rates which look set to erode insurers' profitability next year according to London-based brokers.

Sweeping price reductions by insurers follow a largely catastrophe-free year and several years of good profits when premium rates were increasing. But the lower rates could mark the beginning of a marked downturn in the international insurance industry.

London-based insurers, including Lloyd's of London, often set the terms for insurance premium rates charged around the market. Competitive pricing is also being fuelled by insurers in the mid-Atlantic tax haven of Bermuda and continental European insurers, particularly in France and Germany.

Mr John Pelly, chairman of non-marine reinsurance at brokers Willis Corroon, said that in many areas, rate reductions had accelerated compared with last year. "Rates are coming down for reinsurance programmes really quite significantly for all areas, except for the major US nationwide accounts," he said. Reductions have been steepest in marine, energy and property catastrophe reinsurance.

Reinsurers, in effect, insure the insurance companies against big losses. Mr Pelly said the industry's risk-bearing capacity had grown significantly and continental European reinsurers were keen to maintain or increase their market share.

Mr Peter Tritton, European spokesman at US broker Alexander & Alexander, said that in marine insurance "severe competition and rate cuts are the norm".

UK composite insurers were also seeing reductions of up to 15 per cent on their reinsurance policies, Mr Tritton said, while for international non-marine reinsurance, price cuts of more than 20 per cent had been obtained. However, there were signs that motor reinsurance rates were rising.

Insurers maintain that tight underwriting discipline is being maintained. Before Christmas, Mr David Rowland, Lloyd's chairman, said that by "being selective" there would be "good opportunities for profitable underwriting in 1996".

Mr Dick Hazell, chairman of the European holding company of Liberty Mutual, the US financial services group, acknowledged some rates were under pressure. But underwriters were prepared to turn down unprofitable business, he said. "If we think that it's worthwhile, we will write it. If it isn't, we will go and play golf," Mr Hazell said.

Munich Re reports lower disaster costs, Page 11

Nikkei hits 20,000

Continued from Page 1

ists were confident yesterday the rise in shares also reflected economic fundamentals.

"The Nikkei rose above the 20,000 level because of a recovery in corporate earnings, a stable currency market, and a move towards a resolution of the housing loan crisis," said Mr Shoichiro Toyoda, chairman of the Keidanren business federation.

Mr Atsuo Miki, president of Yamaichi Securities, one of the Big Four Japanese brokers, reckons the Nikkei will reach 25,000 in 1996. His confidence comes from expectations that corporate profits are likely to see double digit growth in the business year beginning in April, as long as the yen and interest rates remain stable.

Bonn warned

Continued from Page 1

boom has come to an end. The HDB, whose member companies employ over 1.5m people in a sector which invested a total of DM500bn in 1995, said over 70,000 jobs would be lost in west Germany and about 20,000 in east Germany in the coming year.

Thousands of jobs have already been lost in the sector this year.

THE LEX COLUMN

Mittelstand blues

It has become increasingly clear that Germany's *Mittelstand*, the broad swathe of medium-sized companies which has been at the heart of the country's economic success, faces big problems. In common with their larger and more vocal brethren, small German companies are suffering from a noxious combination of high labour costs, tight regulation and a strong currency which is hurting their exports.

At the same time, the *Mittelstand* is in the midst of a generational change as the original entrepreneurs retire or die. By the turn of the century, around 300,000 privately-owned businesses, a tenth of all German companies, will have changed hands. Fewer than half will continue to be run by the owner's heirs and many will be broken up or sold.

Unfortunately, there are few signs that the *Mittelstand* is being renewed by innovative start-ups. Part of the difficulty is a German aversion to taking risks, a trait recently criticised by Mr Helmut Kohl, the chancellor. In that context, plans by the government to give tax concessions to small and medium-sized companies are a step in the right direction. But that by itself will not be enough to overcome Germany's poor record of investment in new industries like biotechnology; or the weakness of the local venture capital industry and the lack of an equity culture generally – only 6 per cent of Germans hold shares, compared with 20 per cent of Britons.

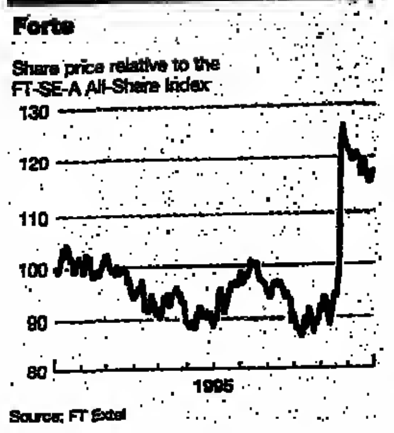
Not all the news is bad, however. While Germany's record insolvency figures demonstrate that large parts of the *Mittelstand* are failing to adapt, some companies are undergoing radical change. One example is Puma, the sports goods maker, which has closed its production base and turned itself into a pure marketing company to overcome the problem of high labour costs.

Many are moving manufacturing to eastern Europe and some, such as dialysis group Fresenius with plants in China, India and the US, have become truly global. Others are carving out new markets at home. Lehnkering-Montan, which offers distribution and preprocessing services, doubled profits last year by taking advantage of a growing trend by companies to contract out non-essential services.

There is even evidence that the *Mittelstand* is overcoming its abhorrence of the stock market. This year has seen a flood of public offerings with 20 new issues worth DM8.5bn in total, led by Adidas and drugs group E Merck. This should produce a group of survivors which are more flexible and cost-conscious and with better-educated management. It is a good sign that the current best-selling business book in Germany is called *Shareholder Value*.

FT-SE Eurotrack 200:
1602.6 (+15.2)

Forte



Source: FT Extel

Forte/Granada

After a faltering start to its defence, Forte appears to be turning the tables on Granada. The conditional sale of its motels and roadside restaurants division to Whitbread for just over £1bn ($1.5bn) is a coup.

Forte had already proposed a demerger. But a trade sale now to a named buyer – always assuming Granada's bid fails – is clearly preferable to a flotation at some uncertain point in the future. And despite the speed of the deal, Forte has achieved a decent price. It is getting 17 times historic earnings for a business that is not expected to match last year's profits. Whitbread, which already runs restaurants and a rival chain of roadside motels, is probably the only buyer which can hope to extract enough synergies to justify that price.

The proceeds, amounting to almost £1 a share after tax, should allow Forte to promise a share buy-back or special dividend in the hope of keeping shareholders loyal. More importantly, it would make big inroads into the group's £1.2bn of borrowings and remove constraints on refurbishment and expansion.

But a commitment to selling some trophy hotels, which produce meagre returns on £1bn of capital, would still be welcome. And to stack up its claims, Forte's final defence document needs to detail the performance of its various hotel brands as well as overseas expansion plans for its Meridien chain. But as a pure hotel company with a strong balance sheet, Forte undoubtedly has an appeal at this stage of the cycle.

This deal leaves Granada in a tricky position. Since Forte's own management is willing to split its two divisions, Granada will be hard-pressed to argue that they should be kept together.

UK water

Britain's water regulator risks taking caution too far. His proposal that when water companies become part of bigger groups some of their shares should remain separately quoted would do more harm than good.

He argues that a separate flotation would make it more difficult to fudge the boundary between regulated and unregulated parts of the same group. The worry that groups could play games by siphoning costs between their businesses is understandable. But the best way to police them is better audit, not a separate listing.

The regulator's better argument is that the regulatory regime needs to deliver long-run returns in line with the cost of capital; and without a share price, the regulator cannot know what the market thinks the cost of capital is.

In practice, though, share prices need too much interpretation to be much use in anchoring a regulatory regime.

For a start, almost all water businesses have diversified, so their share prices are already sending a confused message. Even if the message were clear, it is not certain how much it would reveal. Take, for instance, the electricity sector's wildly fluctuating yields; if the market has been trying to judge the cost of capital in the sector it has not made much of a fist of it.

The real problem with the proposal, though, is that it would discourage takeovers of water companies. Bidders are unlikely to be keen on paying a premium for control and then having to float part of their acquisition at a discount.

The regulator should regret this; in the absence of competition, his job is to force water companies to make their assets sweat. Since the threat of takeover does precisely that, the regulator should regard it as an ally – not an inconvenience.

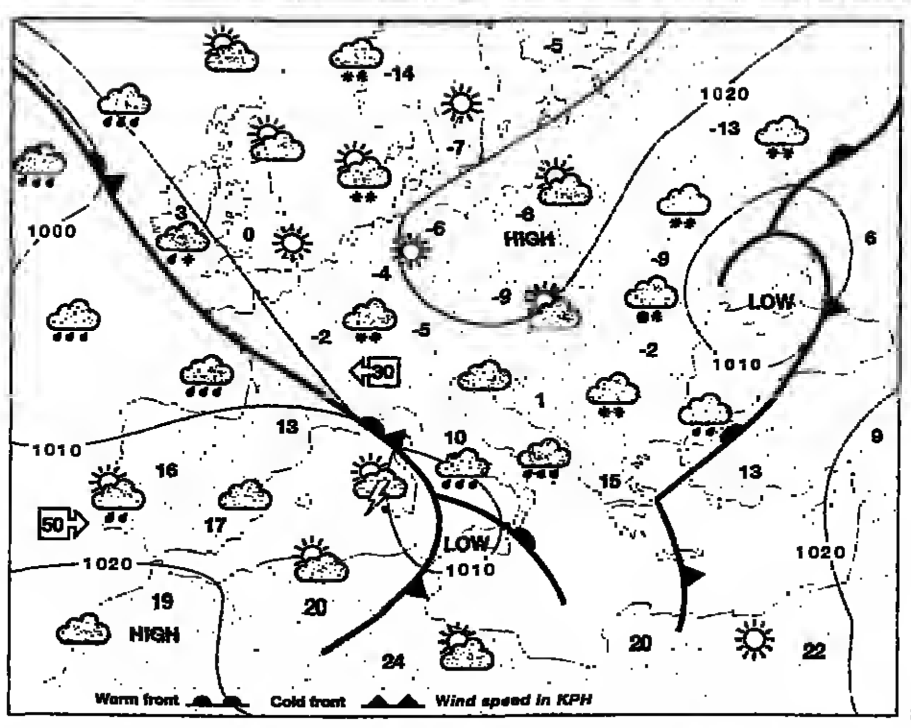
FT WEATHER GUIDE

Europe today

Much of Europe will be wintry with temperatures below freezing north of the Alps. High pressure over Poland and the British Isles will keep most of UK and Ireland dry with sunny periods. The Benelux, northern France, Germany and Poland will have abundant sun. The Shetlands, the Orkneys and Denmark and the south-west coast of Sweden will have snow showers. Norway will have even more snow. Mild air over south-western Europe will slowly move north-east causing cloud and rain in southern France. The Alps and the Pyrenees will have snow. It will be unsettled with numerous showers over Spain, Portugal, Corsica, Sardinia and southern Italy.

Five-day forecast

Mild air over south-western Europe will make further progess northwards, csusing cloud, snow and drizzle over western Europe including the UK by the weekend. The Mediterranean will continue mild but unsettled. A lot of rain and snow can be expected along the southern parts of the Alps. Northern Europe will stay very cold and wintry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Beijing	sun	0	Caracas	shower	30	Faro	shower	17	Madrid	cloudy	10	Rangoon	sun	31
			Belfast	fair	2	Cardiff	sun	2	Frankfurt	fair	-4	Majorca	fair	17	Reykjavik	fair	-2
Abu Dhabi	sun	22	Belgrade	cloudy	0	Casablanca	shower	19	Geneva	sleet	1	Malta	cloudy	18	Rio	shower	31
Accra	fair	32	Berlin	sun	-6	Chicago	fair	-2	Gibraltar	shower	17	Manchester	fair	1	Rome	rain	13
Algiers	cloudy	19	Bermuda	shower	17	Cologne	sun	-3	Glasgow	sun	-5	Manila	rain	30	S. Frsco	fair	13
Amsterdam	sun	-3	Bogota	cloudy	18	Dakar	fair	26	Hamburg	sun	-8	Melbourne	cloudy	20	Seoul	fair	-1
Athens	cloudy	15	Bombay	fair	31	Dallas	fair	9	Helsinki	cloudy	-4	Mexico City	fair	19	Singapore	shower	29
Atlanta	sun	6	Brussels	sun	-2	Delhi	fair	22	Hong Kong	fair	18	Miami	cloudy	21	Stockholm	sun	-12
B. Aires	sun	29	Budapest	cloudy	-2	Dubai	sun	22	Honolulu	fair	26	Milan	rain	4	Strasbourg	cloudy	-2
B.ham	fair	0	C.hagen	fair	-3	Dublin	cloudy	3	Istanbul	shower	15	Montreal	cloudy	-4	Sydney	fair	23
Bangkok	fair	30	Cairo	sun	21	Dubrovnik	rain	10	Jakarta	shower	31	Moscow	snow	-14	Tangier	shower	17
Barcelona	fair	15	Cape Town	fair	25	Edinburgh	sun	0	Jersey	fair	3	Munich	cloudy	-6	Tel Aviv	sun	21
									Karachi	fair	26	Nairobi	fair	26	Tokyo	fair	8
									Kuwait	fair	19	Naples	rain	12	Toronto	snow	-3
									L. Angeles	sun	19	Nassau	fair	23	Vancouver	cloudy	7
									Las Palmas	fair	24	New York	cloudy	2	Venice	cloudy	5
									Lima	fair	25	Nice	rain	9	Vienna	cloudy	-3
									Lisbon	rain	18	Nicosia	fair	19	Warsaw	fair	-8
									London	sun	0	Oslo	fair	-11	Washington	cloudy	2
									Lux.bourg	fair	-3	Paris	fair	-2	Wellington	cloudy	19
									Lyon	snow	0	Perth	fair	33	Winnipeg	fair	-2
									Madeira	fair	23	Prague	fair	-7	Zurich	snow	-4

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 28 1995

IN BRIEF

Chinese securities houses to merge

Shanghai International Securities, which was was at the centre of a large bond trading scandal earlier this year, is expected to merge with other Chinese securities houses, according to local traders. Other companies involved in the merger are thought to include Shanghai Finance Securities, Shanghai Pudong Development Securities and Shanghai International Trust and Investment. Page 12

FDA poised to approve batch of drugs
The US Food and Drug Administration is likely this week to grant approval for a batch of new drugs. Tha agency, which controls the sale of medicines in the US, traditionally tidies up its portfolio by approving drugs ahead of the new year. Page 12

Bank considers bond auction changes
The Bank of England has taken soundings from Gilt-Edged Market-Makers (Gemms) on whether changes are needed to the government bond auction system, following one failed auction and skimpy cover for another. Page 12

Goldsmiths reiterates interest in UK rival
Goldsmiths, the jewellery chain, reiterated its interest in acquiring part or all of Signet, the UK's biggest jeweller. Its comments accompanied a statement on Christmas trading showing total sales in its 119 stores up 15.9 per cent and like-for-like sales up 8.7 per cent in the month to December 24. Page 14

Recs to share £652m First Hydro proceeds
Regional electricity companies said they would retain the proceeds from the recent sale of the First Hydro pumped storage business, which they inherited from the National Grid Company. The recs will share on a pro rata basis the £652.5m ($1bn) paid last week by Mission Energy of the US for First Hydro. Page 14

Diamond production begins in Rockies
North America's first large diamond mine has started production at Kelsey Lake, 2,740m up in the Rocky Mountains. Its output will be small by industry standards but the quality of the stones, most of them gem diamonds, makes the mine a commercial proposition, according to Redaurum, the company that owns the property. Page 15

Trade resumes in Spanish builder's shares
Trading resumed in the shares of Huarte, the debt-laden Spanish builder, after creditor banks agreed a plan which will bring them in as shareholders alongside another Spanish construction group. The Pamplona-based group faces total debts estimated at Pta60bn ($492m). Page 16

Carmakers hail 'world first' venture
In the flatlands surrounding Maastricht in the Netherlands, near the scene of one of the European Union's biggest steps towards integration, an international union of a different kind has begun. Mitsubishi of Japan and Volvo of Sweden say the Fl 3bn ($1.87bn) NedCar joint venture is a world first. Page 16

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
CKAG Col. pr	885	+	19
Heidelb Zem	908	+	8.5
Hotzmann	536	+	19
Falls			
Asko	740	–	8
Deutsche Bab	131	–	5.7
Wella	762	–	12
NEW YORK ($)			
Rises			
Detroit Dieb	31	+	4
Dura Pharm	34	+	2¼
Natl Hlth Ed	16¼	+	3
Falls			
Cordis	94¾	–	11⅞
Safety 1st	19	–	4⅛
Sinclair BrdA	16½	–	2⅛
LONDON (Pence)			
Rises			
Dixons	449	+	18
Filtronic Com	475	+	25
JJB Sports	671	+	33
Trafficmaster	297	+	17
Falls			
Reunion Mng	56	–	10
Shield Diag	158	–	15
TORONTO (C$)			
Rises			
Biochem Pharm	58½	+	3½
N Amer Pall	7¼	+	1½
Spectrum Sig	19¼	+	3⅜
Falls			
Global Strat	12⅜	–	1⅛
Hummingbird	37	–	4
Mentor Expl	12⅞	–	1⅛
PARIS (FFr)			
Rises			
Alcatel	417.7	+	7.7
Danone	782	+	10
Eurafrance	1610	+	71
Falls			
CGIP	936	–	12
Intertechnique	429.9	–	10.1
Vallourec	186	–	13.9
TOKYO (Yen)			
Rises			
Dai Nip Toryo	395	+	21
Daiwa Bank	872	+	31
Hazama	408	+	21
JEOL	880	+	33
Kureha Chem	470	+	30
Falls			
Mercian Corp	750	–	14
HONG KONG (HK$)			
Rises			
China Motor	4.975	+	0.22
Hopewell Hldgs	4.3	+	0.27
QPL Intl	3.05	+	0.40
Falls			
Daiwa Assoc	0.80	–	0.21
Pioneer Hldgs	1.88	–	0.12
SAS Dragon	1.44	–	0.22
BANGKOK (Baht)			
Rises			
Interlife	82.0	+	5.5
Thai Glass	116.0	+	9.0
Univentures	48.75	+	4.25
Falls			
Krungthep	130.0	–	14.0
Samaggi Ins	83.0	–	7.5
Thai Fin	60.0	–	5.0

New York and Toronto prices at 12.30pm.

Munich Re reports lower disaster costs

German group says pay-outs have fallen despite record $180bn catastrophe toll

By Andrew Fisher in Frankfurt

Natural disasters have caused a record $180bn worth of damage this year – mostly because of the Kobe earthquake in Japan – but the cost to the world insurance industry has been less than in previous years, Munich Reinsurance said yesterday.

Munich Re of Germany, the world's largest reinsurance company, said that damage from the Kobe earthquake last January had totalled about $100bn. More than 6,000 people died and about 300,000 were made homeless.

The cost to insurance companies, however, was only $3bn. This was because of legal limits in Japan on insurance cover for earthquake damage and the fact that the government met much of the cost to private households. Also, damage to infrastructure such as roads and harbour facilities was not covered by insurance.

By contrast, Hurricane Andrew in the US, the previous worst natural disaster, in 1992, cost insurance companies $20bn against a total damaga bill of $30bn.

Munich Re said that the 1995 damage total was nearly three times the previous record of $65bn in 1994, which included the earthquake in Northridge, near Los Angeles in California. Apart from the Kobe earthquake, 1995 had seen a second year of floods in Germany, an unusual number of tropical storms in the Caribbean, the US and east Asia, and severe earthquakes, hail storms, floods and volcanic eruptions around the world.

Altogether, the company recorded nearly 600 natural catastrophes, compared with 580 in 1994. Deaths totalled 18,000, against 10,150 last year. The cost to the insurance industry was $14bn, down from $17bn in 1994 and $23bn in 1992, though higher than the $10bn of 1993. This was "a breathing space" for the industry after nearly 10 years of heavy pay-outs caused by natural disasters.

Munich Re said signs that the changing world climate was causing more disasters, especially floods and storms, had increased this year. But it noted that one trend, the unusually long warming of the tropical Pacific due to a change in ocean currents, had come to an end in 1995.

This El Niño phase – named after the Spanish word for child – had led to droughts in Australia, strong rainfalls on the South American Pacific coast and a temporary reduction in the incidence of hurricanes in the Caribbean.

As the trend towards natural catastrophes increases, Munich Re has been following a more selective risk policy to limit its exposure. It said earlier this month that it expected premium income to stay flat at about DM29bn ($20bn) in the year to June 30, 1996, with profits at least matching the DM325m of 1994-95.

British Energy heads UK offerings due next year

High-profile sales breathe fresh life into the market

After the quietest year for new issues for four years, investors could be offered the chance to take part in flotations of companies worth more than £10bn ($15.5bn) in 1996.

The stream of potential offerings, which could raise up to £6bn, signals a return of confidence in the new issues market after the past 12 months, when many fund managers chose to ignore flotations or reduce the amount invested.

This was partly due to a glut of new issues at the end of 1993 and throughout 1994 and the high prices paid. In addition, there was a drop in the quality of companies involved, and high-profile disasters, such as Aerostructures Hamble, tainted new issues for a large swathe of investors. Their lack of enthusiasm this year led to a fall in prices for new issues and a reduction in companies coming to market.

However, a return to what many fund managers will see as more "sensible" pricing – with issues often being sold at a 10 per cent discount or more to their sectors – is one reason why more may be attracted to new issues this year. The release of funds from this year's wave of mergers and acquisitions gives institutions plenty of scope for investment.

These factors, together with the promise of high-profile flotations – including two government privatisations – are likely to revive the market in 1996.

The largest new issue is likely to be the £2.5bn flotation of British Energy. The company comprises the saleable electricity generation plants of Nuclear Electric and Scottish Nuclear.

Its assets consist of sevan advanced gas-cooled reactors and one pressurised water reactor, Sizewell B. However, it does not include any of the ageing and costly Magnox generators, to be kept in the public sector.

Analysts welcomed the recent decision by British Energy not to build two nuclear power stations for which it had sought or won planning permission.

The controversial nature of British Energy's commodity is likely to produce plenty of moral – as well as financial – comment. But even this will pale against the political heat generated by the privatisation of Railtrack, the company which owns the former British Rail network.

Despite a book value of £6.5bn, the flotation due in the spring is thought unlikely to yield more than £1.5bn. The company this month announced a £10bn 10-year investment programme in a move seen as an attempt to lift its flotation credentials following a series of reverses. The investment was announced the same week as the Appeal Court ruled that the franchising director had acted unlawfully in setting minimum service levels below the present BR timetable.

The second biggest float of the year is likely to be the £2bn listing of Orange, the mobile telecommunications group owned by Hutchison Telecom, the Hong Kong-based telecoms group, and British Aerospace, the UK defence group. The issue has reportedly been lined up for the second quarter of the year. Orange is the fastest-growing mobile operator in the UK.

The hotels market is expected to produce some interesting listings on the back of recovering property prices and an upturn in bookings. CDL Hotels Group, part of the Singapore-based Hong Leong group headed by Mr Kwek Leng Beng, one of the world's wealthiest men, has announced plans for a spring listing.

Mount Charlotte Investments, the UK's second biggest hotels group, which includes the Thistle chain, is understood to be considering a flotation. It is controlled by New Zealand-based Brierley Investments, which paid £640m for it in 1990. Analysts have suggested a price tag of about £800m.

Jarvis Hotels, Britain's fourth largest hotel group, could also join the market, with a possible valuation of about £250m.

Among cable companies, Diamond Cable and Bell Cablemedia have both signalled their intention to seek London listings. Both are investing millions of pounds in cabling their various franchise areas. They have been considering flotation for some time but have been put off by the lack of enthusiasm from investors for the existing quoted cable groups.

Diamond, which is controlled by Goldman Sachs, the investment bank, would be looking for a valuation of about £700m. Bell Cablemedia has a listing on Nasdaq in the US.

The pub sector is thought likely to produce candidates for flotation after the success of the Tom Cobleigh, Enterprise Inns, Century Inns and Old English Pub Company floats this year.

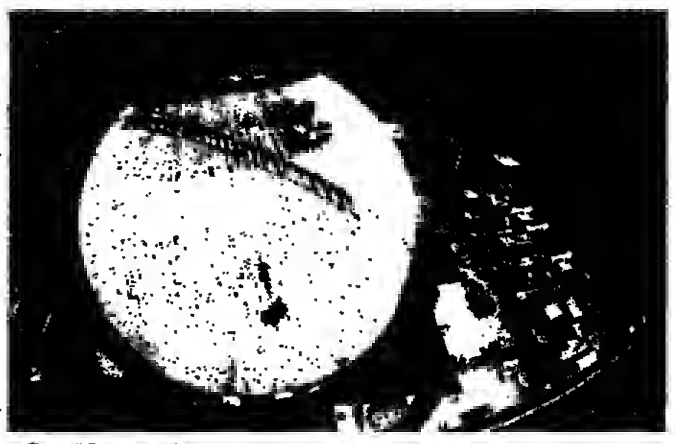
Pubmaster, the 1,800-strong pub chain owned by the Brent Walker leisure group, could be among the largest with a value of about £200m. Ushers, the Wiltshire-based brewer and pub group which withdrew its £100m listing a year ago, could make a return bid.

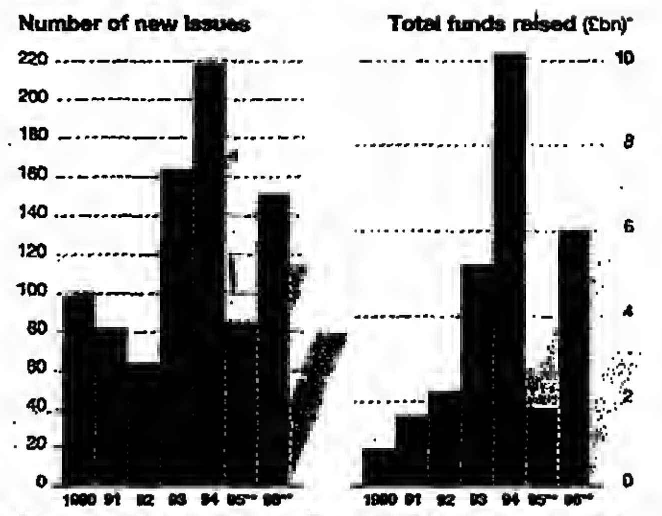
In the retail sector, Heal's, the upmarket furniture store, is hoping to float, while People's Phone, the mobile telephone chain, has announced plans for a £200m listing in February.

However, as Mr Neil Austin, head of new issues at KPMG corporate finance, the accountancy firm, points out: "The recovery in the new issues market in 1996 will depend on the main stock market continuing to hold up."

Christopher Price

UK new issues


Sizewell B power station



* Excluding introductions and adjusting for effect of government privatisations where funds of more than £1bn were raised
** FT forecasts
Source: KPMG

Dispute at Tate & Lyle US plant ends

By Patrick Harverson in London

Workers at the Illinois plant of AE Staley, the US subsidiary of Tate & Lyle, the UK sugar and sweeteners company, have voted to accept new labour contracts and end a 40-month dispute during which they have been locked out by management.

However, about half the 700 workers involved in the dispute are likely to find that their old jobs have disappeared since it began.

The factory, which makes corn syrup and starch products, has been modernised in recent years and its workforce reduced from about 800 to less than 400. Workers without jobs will have to accept redundancy packages.

The replacement staff who have operated the plant since June 1993, when most of the original workforce was locked out by the management after an early version of the new contract was rejected, also face an uncertain future. Many could lose their jobs if union members in dispute choose to return to the plant rather than take early retirement.

Mr Wayne Glenn, president of the United Paperworkers International Union, said yesterday: "It will not be easy for the company to get rid of all the temporary workers... but all of our members that have a job will go back to work."

Despite his comments, it is unclear which group of workers will have priority over jobs. But those workers who return are expected to be back at the plant by the end of the January.

The vote to end the dispute was carried by a narrow majority. Only 56 per cent of the workers who voted agreed to accept the new contract and its implementation of revised working practices such as 12-hour shifts.

Mr Glenn said UPIU members decided to end the dispute after the company softened its position on some of the proposed new working practices.

In particular, he said Staley had dropped its original plan to change shifts every week. Now they will be rotated only once every month.

Since the dispute started in 1992, Staley has been transformed from one of Tate & Lyle's worst-performing businesses to its most profitable. A reorganisation of the company's nine plants has lifted production and cut costs, helping Staley make the most of strong demand for sweeteners and starch products.

Forte bolsters bid defence with $1.6bn Whitbread deal

By David Blackwell in London

Forte, the UK hotel and restaurants company fighting a hostile takeover bid from Granada Group, appeared for the first time yesterday to move ahead in the struggle with an agreement to sell its roadside businesses to Whitbread, the UK brewing and leisure group, for £1.05bn ($1.6bn) in cash.

"This puts some teeth into the defence," one institutional investor said yesterday. "Forte can be seen to be getting the edge in the battle."

Granada, the television, catering and leisure group headed by Mr Gerry Robinson, took the City by surprise at the end of last month with its £3.2bn takeover bid for the UK's largest hotels group. Forte was also caught off guard, but has been starting to make up for lost time.

"This may be enough to keep Forte free," said another institutional shareholder yesterday.

Forte has agreed to sell its Little Chef and Happy Eater roadside restaurants, Welcome Break motorway service areas and Travelodge budget hotels to Whitbread.

The deal, which is conditional on the failure of the Granada bid, could be completed at the earliest in February.

Sir Rocco Forte, chairman, looking more confident and relaxed than at any time during the bid so far, said several parties had expressed interest in the roadside restaurants business since he announced that it would be demerged or sold. Whitbread had "the same philosophies as we do", and had offered the best price.

The deal would allow Forte to concentrate its investment on its four key hotel brands just as the hotel business cycle was starting to pick up.

Granada said the proposed sale highlighted the key difference between the two groups.

Mr Charles Allen, Granada's chief executive designate, said that a year ago Granada would have been interested in buying just the roadside restaurant businesses. "At this price it's been undersold."

In the year to the end of January 1995, the combined businesses made profits of £82m on sales of £590m, but Forte has indicated that second-half profits this year will be lower.

Lex, Page 10; Details, Page 14

Canary Wharf sale completed

By Patrick Harverson in London

The £800m ($1.2bn) sale of the Canary Wharf development in London to a consortium of US and Middle East investors led by its original developer Mr Paul Reichmann has been completed despite the reported withdrawal of one of the consortium's biggest members.

However, in a setback for the new owners of the London docklands office complex the consortium has been unable to persuade Sir Peter Levene, the former senior government civil servant who has masterminded Canary Wharf's recovery since its collapse in 1993, to stay on as its chairman and chief executive.

He is expected to remain at Canary Wharf for only a few more weeks before leaving to devote more time to his role as efficiency adviser to Mr John Major, the prime minister.

The sale of Canary Wharf, provisionally agreed in October and scheduled for completion before the end of the year, ran into complications last week when Cargill, the US commodities group and one of the largest privately-owned companies in the world, reportedly sought a bigger stake in International Property Corporation, the consortium negotiating to buy the office development.

It is believed Cargill withdrew from IPC when its request was rejected. Cargill was yesterday unavailable for comment.

Such was the interest in acquiring the 4.5m sq ft development that the remaining investors in IPC – including Prince al-Waleed bin Talal Abdulaziz of Saudi Arabia, Mr Larry Tisch, head of CBS, and Mr Michael Price, the US fund manager – were able to complete the deal without Cargill. It is thought some of the consortium partners increased their stakes.

The terms of the sale were not disclosed, but IPC is believed to have paid about £600m to the group of 13 commercial banks led by Lloyds which have owned Canary Wharf since it came out of administration two years ago.

Additionally, IPC is assuming more than £180m of debt provided by the European Investment Bank, the public sector development bank. The debt will be rolled into a new long-term facility.

IPC has agreed to assume the £300m commitment to complete the extension of the Jubilee underground line to Canary Wharf.

INTERNATIONAL COMPANIES AND FINANCE

US agency poised to grant approval for batch of drugs

By Daniel Green

The US Food and Drug Administration is likely this week to grant approval for a batch of new drugs.

The agency, which controls the sale of medicines in the US, traditionally tidies up its portfolio by approving drugs just ahead of the new year.

Among those to which it could give the green light are

- Taxotere, a new cancer drug from Franco-US company Rhône-Poulenc Rorer. This could trigger a battle for market share with a related cancer drug, Taxol, from US company Bristol-Myers Squibb, which also has approval.
- Prozac, from US company Eli Lilly, for bulimia, Paxil from UK company SmithKline Beecham, for panic and obsessive compulsive disorder, and Zoloft, from Pfizer of the US, for obsessive compulsive disorder. All three drugs are successful antidepressants and the manufacturers are seeking the go-ahead to sell them for other mental conditions. Paxil is called Seroxat in Europe.
- Aramidex, from the UK's Zeneca, and Fareston from US rival Schering-Plough, both for breast cancer.
- Myoview, a contrast agent – a drug thet improves the quality of pictures taken by x-ray machines or magnetic resonance scanners – made by UK company Amersham. Contrast agents are a highly competitive area in which a technical lead can boost sales strongly.

Some of these drugs may already have been approved by the FDA, but the decision not made public by the pharmaceuticals company concerned.

The FDA has already approved some drugs in its traditionally busy December programme. Schering-Plough said on December 21 that the FDA had granted marketing clearance to Cedax, a new tablet antibiotic used to treat infections in bronchitis, the middle ear and tonsillitis.

On the previous day, Glaxo Wellcome of the UK said its anaesthesia product Nimbex had been approved by the FDA. Nimbex is used to relax muscles during a general anaesthetic.

POTENTIAL YEAR-END APPROVALS (1995): DRUGS AND BIOLOGICS

Brand Name	Indication	Company
Neupogen*	peripheral blood cell mobilisation	Amgen
Neumega	arthritis	American Home Products/Bax
Zosyn*	hospital-acquired pneumonia	American Home Products
Lodine*	rheumatoid arthritis	American Home Products
Normiflo	bloodclots	American Home Products
Myoview	cardiovascular imaging	Amersham
Geref	human growth hormone	Ares Serono
Prilosec*	acute gastric ulcers	Astra Merck
Maxipime	antibiotic	Bristol-Myers Squibb
Etopophos	testicular and small-cell lung cancer	Bristol-Myers Squibb
Flovent	asthma, dermatitis & other	Glaxo
Tiazac	hypertension	Hoechst Marion
Nilandron	prostate cancer	Hoechst Marion
Renova	photodamaged skin	Johnson & Johnson
Sporanox*	dermatophytes	Johnson & Johnson
Prozac*	bulimia	Eli Lilly
Gemzar	pancreatic cancer	Eli Lilly
Vaqta	hepatitis A vaccine	Merck
Zoloft*	obsessive compulsive disorder	Pfizer
Taxotere	breast cancer	Rhone-Poulenc Rorer
Paxil*	panic & obsessive compulsive disorder	SmithKline Beecham
Fareston	breast cancer	Schering-Plough
Luvox	depression	Solvay/PNU
Estrostep	contraception	Warner-Lambert
Arimidex	breast cancer	Zeneca

*New indication for already-marketed drug. Source: [illegible]

Cordis shares fall 11% as bid hits delay

By Tony Jackson in New York

Shares in Cordis, the US medical equipment company, plunged 11 per cent yesterday morning on fears that its agreed $1.8bn takeover by the healthcare giant Johnson & Johnson had hit trouble.

Under the terms of the merger agreement in November, Johnson & Johnson gava itself 45 days to complete its due diligence review of Cordis.

The period expired yesterday. However, Johnson & Johnson said it would extend the review period until January 22, on the grounds that the review was taking longer than expected. The company refused to give further details.

Some analysts suggested the extension might be caused by tbe complexities of Cordis's licensing agreements, rather than by more serious underlying problems. Cordis shares fell $11¾ to $94¾ in early trading. The offer values them at $109 each.

The bid is regarded as a good fit for Johnson & Johnson, enabling it to strengthen its position in supplying devices for use in angioplasty, a form of heart surgery.

Johnson & Johnson's shares rose $¼ to $86⅝.

Chinese securities houses expected to merge

By Andrew Taylor

Shanghai International Securities, which was at the centre of a large bond trading scandal earlier this year, is expected to merge with other Chinese securities houses, according to local traders.

The merger would result in the establishment of a new securities housa, Shanghai New Securities. Other companies involved in the merger are thought to include Shanghai Finance Securities, Shanghai Pudong Development Securities, and Shanghai International Trust and Investment.

Sbangbai International, along with rival trader Liaoning Guofa, was blamed by the Ministry of Supervision and the China Securities Regulatory Commission for the trading scandal that forced the closure of the Shanghai bond futures market in May.

Authorities said the brokers had "wilfully violated rules, manipulated the market and rigged prices", after they were forced into buge selling of bond futures to cover positions.

Mr Wei Wenyuan, viewed as one of the principal architects of the market's rapid expanaion, was snbaeqnantly removed as president of tha Shanghai stock exchange.

He has been replaced by Mr Yang Xianghai from the Shanghai Securities Administration, who is understood to favour a more cautious policy on the market's development.

Many traders have run into difficulties following sharp falls this year on the Shanghai and Shenzhen stock markets.

The hard currency B share markets in Shanghai fell to a historic low on Monday although prices improved very slightly yesterday.

Local newspapers this week reported that the People's Bank of China had approved a merger between Shenzhen Great Wall Securities and Hainan Huitong Securities to create The Great Wall Securities company which is capitalised at Yn150m ($18m).

Spotlight falls on UK gilt auction system

By Antonia Sharpe

Tha Bank of England has taken soundings from gilt-edged market-makers (Gemms) on whether changes are needed in the government bond auction system, following one failed auction and skimpy cover for another.

Earlier this year the government introduced an annual timetable for tha auction of gilts to help bring its borrowing programme into line with best practice in other leading government bond markets. It also decided to give the market advance notice about the life of the gilts to be auctioned.

This more transparent and predictable process was welcomed by market participants. Howaver, tba lacklustre response to recent auctions has raised the question whether more changes are needed.

At the latest quarterly meeting between the Bank and Gemms – tha minutes of which are due to be published today – some of the smaller Gemms said they were in favour of smaller and more frequent auctions. Currently, the auctions are held onca a month and raise between £2bn and £3bn.

The bigger Gemms also said they would welcome incentives to encourage more Gemms to take part in auctions, although they were generally happy with tha size and frequency of the auctions.

One such incentive would be an "option" to buy more stock from the Bank later in the day of the auction or the next day. Analysts said the introduction of "optionality", which is used in French government bond auctions, would lead to a more orderly market during anctions.

Currently, trading in gilts before and after an auction tends to ba erratic becausa Gemms have to go short – sell stock they do not have – and then try to cover their positions by bidding in the auction. "Having the option to buy more stock from the Bank would provide some insurance against such volatility," said one analyst.

Another change which some Gemms put forward to the Bank was to auction a wider variety of stock, in line with the US Treasury auction system, to eradicate the "lumpy" nature of gilts issuance. Currently, the Bank sells gilts with one maturity at each auction which means investors have to wait several months for another batch of gilts with the maturity they want.

Although the Bank cannot respond automatically to suggestions from the market, their views are taken into account when the government forms its policy of funding.

The Bank needs to have a sustainable auction system to keep pace with tha government's heavier-than-expected borrowing requirement. In the Bndget, this financial year's public sactor borrowing requiremant (PSBR) was revised upwards by £6.7bn to £29bn. The forecast for next year's PSBR was also revised up, from £14bn to £22.4bn.

Last September the Bank failed for the first time in its history to sell all the £3bn worth of gilts (UK government bonds) offered at auction, whila earlier this month an auction of the same amount of stock was only 1.12 times covered and had the longest "tail" since an auction in January 1988.

The tail is the difference between the highest and the average accepted yield. A long tail tends to imply weak demand for the bonds because the bank has to accept lower bids in order to sell the paper.

NEWS DIGEST

Bayer to axe 1,000 jobs in Germany

Bayer, the German chemicals company, will cut its German workforce by about 1,000 people next year as part of its efforts to become more competitive and profitable, Mr Manfred Schneider, the chairman, said. There would also be employment reductions abroad. The company needs to improve its profitability, which was high by German standards but only middle-ranking on an international comparison.

Mr Schneider, interviewed by the Leipziger Volkszeitung, an east German newspaper, also said action was needed in Germany to deal with high costs, high taxes and high energy prices. The "whole thicket" of laws, rules and regulations also needed thinning out, he added in a reference to German bureaucracy.

Bayer has already said about 2,000 jobs would have to disappear worldwide in 1996. About half of these will be in Germany, though the company has given no details so far. Bayer employs 143,000 people, of which 69,000 are in Germany. The company is also pursuing other means of enhancing competitiveness such as improved product quality and manufacturing processes, better cost controls, and more efficient research and innovation.

Mr Schneider said Bayer's growth in 1996 would be moderate and by no means comparable with that of 1995. He repeated his hope that the 1995 pre-tax profit would be at least DM4bn ($2.79bn) – against DM3.3bn in 1994 – and possibly even beat the 1989 record of DM4.1bn. *Andrew Fisher, Frankfurt*

Expansion at Sappi Europe

Sappi Europe, the European arm of the South African forest products group, is to invest £61m ($95m) to increase its paper-making capacity in Germany and the UK. The move comes in response to forecast growth in European demand for coated wood-free papers – used for quality magazines, brochures and company reports.

Mr Franz Neudeck, chief executive, said: "Coated wood-free is one of our core products and in spite of the recent apparent weak demand – a result of tha destocking after the speculative levels early in 1995 – we expect demand for coated wood-free papers to maintain a real market growth of more than 5 per cent per annum."

The company will invest £31m in upgrading two machines at its Hannover Papier subsidiary in Germany and £30m in rebuilding the paper machine at its Blackburn mill in the UK.

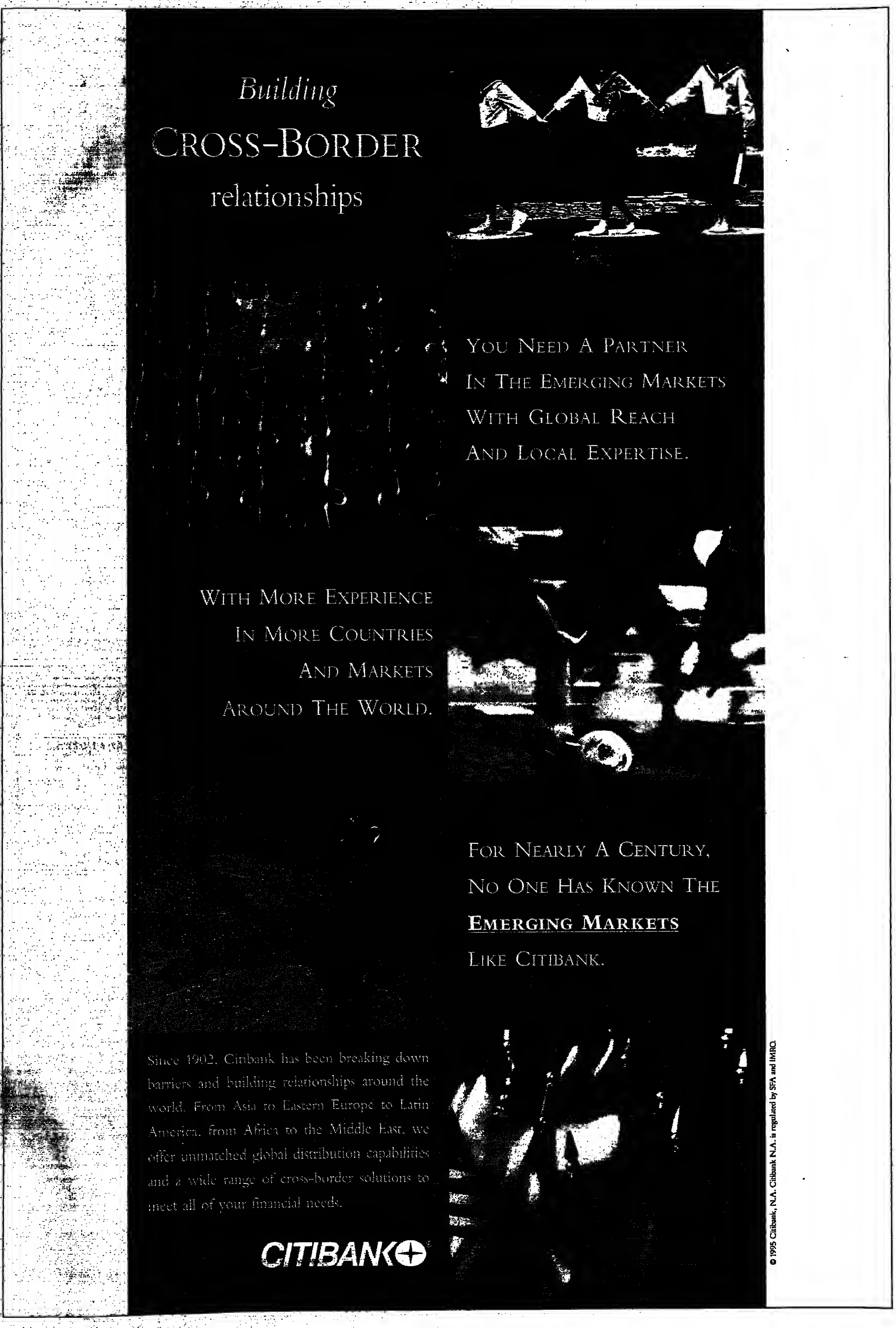
The investments will raise the company's output of coated wood-free paper by 110,000 tonnes to 500,000 tonnes a year by early 1997 – a 28 per cent increase. *Alison Maitland*

Havas takes control of Maeva

Havas, the France-based leisure group, has spent FFr150m ($30.5m) to take control of Maeva, a leading holiday homes company, and of Latitudes, a series of homes around Paris. The action follows a long-predicted sale of its 48.8 per cent stake in Maeva by Club Méditerranée, the French leisure group. Along with shares held through the Caisse des Dépôts et des Consignation, Havas acquires 50.1 per cent control.

Maeva, which was founded by Club Med in 1976, is the market leader in holiday homes in France, with 60,000 beds and a predicted turnover for 1996 of FFr1bn.

Havas will operate Maeva through Havas Voyages, its 100-per cent controlled subsidiary. The same group company will also control Latitudes, which was ceded by Bouygues Immobilier, part of the large French construction group. Havas said the acquisition would lead to a growth in the net income of Havas Voyages for 1996, which would generate turnover of about FFr11bn next year. *Andrew Jack, Paris*


Building
CROSS-BORDER
relationships
YOU NEED A PARTNER
IN THE EMERGING MARKETS
WITH GLOBAL REACH
AND LOCAL EXPERTISE.
WITH MORE EXPERIENCE
IN MORE COUNTRIES
AND MARKETS
AROUND THE WORLD.
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COMPANY NEWS: UK

Whitbread makes £1bn move away from roots

By David Blackwell

"These businesses are very close to what we are used to doing", said Mr Peter Jarvis, Whitbread chief executive, after agreeing to buy Forte's roadside restaurants and budget hotels for £1.05bn.

The deal, which is conditional on the failure of Granada's £3.3bn hostile bid, would continue Whitbread's expansion away from its roots in brewing.

Last August the group paid £380m for two acquisitions – David Lloyd Leisure, the tennis and health club business founded by the former tennis star, and 16 Marriott hotels plus agreement to operate the Marriott name in the UK.

The latest acquisition will bring it the Little Chef and Happy Eater chain of more than 430 roadside eateries: the chain of 36 Welcome Break motorway service stations; 55 Côté France motorway service stations; and 137 Travelodge budget hotels.

Mr Jarvis rejected Granada's criticism of the Little Chef brand as tired. "It has 40m customers a year and most of them are happy."

Whitbread would focus on Little Chef rather than Happy Eater, and would widen the offering, building on the potential of a short-stop customer and using experience gained at its other branded restaurant chains, such as Brewers Fayre and Pizza Hut.

Putting Travelodge in with Whitbread's Travel Inn would create the biggest chain of budget hotel under a single brand in the UK.

However, Mr Jarvis said both brands would run side by side to begin with, as Travel Inn catered more for business people while Travel Lodge had more family customers.

"The name is a high class problem – both chains are very successful", he said.

The consideration of £1.05bn will be met from the group's own resources and additional borrowings, which will take the gearing up to 75 per cent. Net assets of the acquisition are about £800m.

Mr Jarvis was philosophic about the possibility of the deal falling through if Granada's bid were to be successful. "I should be disappointed, but it would not be the first time – and we would keep trying for suitable acquisitions", he said.

He did not rule out the possibility of making further acquisitions on the brewing side.

The target touted as the most likely in the past is Allied Domecq's half share in Carlsberg-Tetley.

● IBCA, the European credit rating agency, has given Whitbread the long-term rating of A+ on Rating Watch with negative implications, following the acquisition announcement. The short-term rating is maintained at A1.

Euromoney chairman gets 27% pay cut

By Geoff Dyer

Mr Padraic Fallon, chairman of Euromoney Publications, the media group which last month disclosed its first drop in annual profits since 1974, was paid £1.01m last year.

This represented a 27 per cent decline from the £1.39m he was paid the previous year, reflecting the 24 per cent fall in group pre-tax profits to £18.2m in the year to September 30. His remuneration is equivalent to 6 per cent of group profits.

With a market value of £229m at yesterday's closing price, Mr Fallon is easily one of the highest paid directors of quoted companies outside the FT-SE-A 350 index.

He remains in the same £1m-plus pay league as the heads of some FT-SE 100 companies. For instance Hanson, the conglomerate which has a market value of about £10bn, announced this month that Lord Hanson, chairman, received pay and benefits of £1.37m last year and Mr Derek Bonham, chief executive, £1.12m.

The drop in Euromoney profits was largely due to problems at AIC, the Australian seminar business, which was sold to its management for £6.9m last week.

In the group's annual report, Mr Fallon admitted: "The depth of our management had not kept pace with our rapid growth over the last five years."

As a result of the problems in Australia and tough trading conditions, the shares, which reached a high of 1975p in May 1994, have fallen sharply, closing down 30p at 1033p yesterday.

Goldsmiths reiterates interest in Signet buy

By Neil Buckley

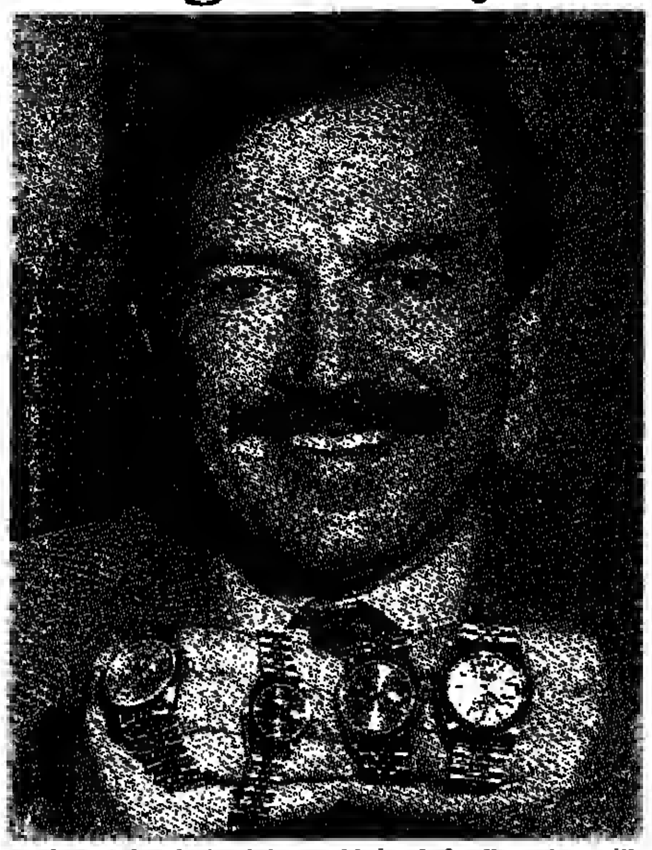
Goldsmiths, the jewellery chain, yesterday reiterated its interest in acquiring part or all of Signet, the UK's biggest jeweller.

Its comments accompanied a statement on Christmas trading showing total sales in its 119 stores up 15.9 per cent and like-for-like sales up 8.7 per cent in the month to December 24. The figures came a week before an expected statement from Signet. If, as some analysts forecast, Signet's sales are disappointing, pressure may increase on the debt-laden group for a capital reconstruction or break-up.

Goldsmiths has been angered by the insistence by Mr James McAdam, Signet's chairman, and Mr Walker Boyd, finance director, that they have received "no serious bids" for any part of Signet.

Mr Jurek Piasecki, chief executive, says he has venture capital backing for a bid worth £65m-£70m for Ernest Jones, one of Signet's two UK chains, or £250m ($385m) for all Signet's UK operations, including the H. Samuel chain. Such a bid would exclude Signet's US chain, Sterling.

"I have made numerous approaches, but I am rebuffed every time," Mr Piasecki said. "Ernest Jones would be most suited to us, but we still believe we could bring a lot to Signet's UK operations."



Jurek Piasecki: plenty of time on his hands for discussions with Signet, but nobody wants to talk

Signet says Goldsmiths' approaches have not been detailed to be considered serious. But Mr Piasecki says he cannot make a fully detailed offer without more information – which Signet will not supply.

Lingering aroma of banana

George Graham explains how Standard Chartered is using its network to build a new reputation

Standard Chartered spent much of the 1980s underperforming the rest of the stock market. But the bank, with its unusual network of operations in Asia, Africa and the Middle East, is now busily making up lost ground.

Its share price in 1995 has outstripped not just the rest of the market, but also the rest of the banks in what has proved one of the year's strongest sectors. That is no mean feat for an organisation with, in the words of chief executive Malcolm Williamson, "a bad reputation for banana skins".

Six years ago, Standard Chartered suffered from severe problems with its loan book. Its London management kept rather a slack rein over managers in nearly 60 countries. Profits, always volatile, plunged in 1989 and it had to cut its dividend in 1990. With the installation of Mr Williamson as chief executive and Mr Patrick Gillam as non-executive chairman in 1993, the bank sought to tighten control over its federally minded network.

But banana skins still seemed to proliferate. The Bombay securities scam forced Standard Chartered to make £272m of provisions in 1992 after the collapse of a pyramid of "banker's receipt" IOUs used to finance stock purchases.

That was followed by the suspension of its Hong Kong securities arm from all initial public offerings for manipulating share prices. Soon afterwards came charges that its Mocatta precious metals subsidiary had bribed officials in Malaysia and the Philippines.

This year has produced few such alarms. Instead, Standard Chartered announced in March that its 1994 pre-tax profits had risen 27 per cent to £510m, with earnings per share up 36 per cent at 32.7p, comfortably exceeding most brokers' forecasts. Many concluded that the best was past and put out sell recommendations.

In August, however, interim results were once again better than expected, with pre-tax profits up 35 per cent to £319m and earnings per share up 47 per cent at 21.6p.

These earnings have started to flow back to shareholders through improved dividends. The bank raised its interim by 44 per cent to 3.25p – enough, even with no change in final, to bring the pay-out back above the level of 8.75p before the 1990 cut.

Most analysts predict further strong dividend growth. Barclays de Zoete Wedd Research, for example, anticipates 35 per cent growth for 1995, 30 per cent for 1996 and 20 per cent from then to the year 2000.

The bank has managed to keep costs flat for the past three years. Staff have been cut from more than 30,000 to fewer than 27,000, with further reductions planned to meet a target of 25,000 next year.

The strategy, Mr Williamson says, has been to refocus on businesses that take full advantage of Standard Chartered's historical strengths and its far-flung network.

That has involved moving away from corporate lending to expand rapidly in personal banking in the Asia-Pacific region – strictly not in the overbanked OECD area. Telephone banking, credit cards and mortgage lending have grown significantly, and retail banking is now the single largest profits contributor.

"The competitive advantage we have is that the local banks in Asia are still not very switched on and most foreign banks are in the wholesale business," Mr Williamson says.

Standard Chartered has not turned its back on the corporate sector, but seeks to put lending in second place to fee-earning services in areas such as trade finance, cash management or payment handling, often as a banker to other banks. "We are trying in the corporate market to make lending our lag, not our lead product," Mr Williamson says.

The third leg of the business is in financial markets, and here again, Standard Chartered aims to concentrate on the regions where it is strongest. "You wouldn't come to us for a marvellous rate on the Swiss franc, because that is not our speciality."

Standard Chartered's management has some way to go to dispel the banana skins reputation. The lingering anxiety felt by some stockbrokers is increased by the perception that some of the bank's recent strong earnings growth has been the result of declining bad debt provisions. Even though the credit risk associated with Standard Chartered's fast-growing portfolio of personal loans in east Asia has so far proved low, it is widely expected that net provisions will have to rise from £30m in the first half of this year.

At the same time, Standard Chartered's geographical focus creates a degree of economic and political risk. Besides Hong Kong, which accounted for 36 per cent of interim pre-tax profits and is due to be handed back to China in 1997, other economies in the Asia-Pacific region have proved to be volatile.

Mr Williamson nevertheless insists that geographical focus is "a competitive advantage for the foreseeable future, because we operate in markets where there are barriers to entry".

For that reason, Standard Chartered's network continues to be eyed enviously by a number of bigger banks. But a rising share price, which has taken the bank's market value well above £5bn, makes it a difficult morsel to swallow.

British Gas sale delayed

British Gas expects to complete the sale of its properties facilities management business to Chesterton International, the property services company, by the end of January, writes David Lascelles, Resources Editor.

The two companies originally expected the deal, worth about £10m, to go through in November, but British Gas said yesterday that "some issues remain outstanding". It declined to identify them.

Recs to invest Hydro profit

By David Lascelles, Resources Editor

Regional electricity companies said yesterday that they would retain the proceeds from the recent sale of the First Hydro pumped storage business which they inherited from the National Grid.

However, they will have to pay capital gains tax on their profits from the investment.

The 12 recs will share on a pro rata basis the £652.5m paid last week by Mission Energy of the US for First Hydro. Mission is part of SCEcorp, a quoted US group valued at $6bn.

The recs had varying investments in the company, which was transferred to them before the recent demerger of the National Grid. Unlike their shares in the National Grid, which most of them passed on to their own shareholders, their intention is to keep the cash from the First Hydro sale.

Northern Electric, whose 6.5 per cent stake in First Hydro, netted £44m, stressed that the proceeds would be used for "general corporate purposes". The company said it wanted to make clear that the money would not form part of the £560m promised to shareholders to fend off takeover bids.

Other companies also said they would keep the cash to develop their businesses.

Tax will be payable on capital gains from the sale. At the time of the recs' flotation five years ago, the pumped storage business was valued at about £200m.

PROCEEDS FROM FIRST HYDRO SALE

Rec	stake %	£m
Eastern	12.5	85*
East Mids	8.4	57
London	10.5	71
Manweb	5.5	37*
Midlands	9.2	62.4
Northern	6.5	44
Norweb	8.2	55*
Seeboard	7.3	50
Southern	11.0	74.5
Swalec	5.4	36.7
SWEB	6.3	43*
Yorkshire	9.2	62.3

*FT estimate

Pemberstone in £11.7m purchases

By Geoff Dyer

Pemberstone, the investment and property management group which floated in September, has agreed to pay £11.7m for three residential property companies.

The three companies – First Roman Property Trust, Second Roman Property Trust and Third Roman Property Trust – were set up under the government's business expansion scheme (BES) and own more than 300 flats in sheltered housing complexes which are let on an assured tenancy basis.

Between 1988 and 1993, £600m was invested in BES companies to buy residential property for rent, taking advantage of the tax relief available on such investments.

Pemberstone was set up in September to buy the financial services and property management division of Capital Industries, the packaging group, and floated via a £6.75m placing.

The group, which was designed to buy former BES companies, is expecting a large number of properties to become available as shareholders had to maintain their investment for five years in order to qualify for the tax relief.

Director steps down at lossmaking CentreGold

By Paul Taylor

Mr Martyn Savage is stepping down as managing director of CentreGold, the lossmaking video and computer games software publisher and distributor.

The surprise announcement, made at the company's annual meeting yesterday, comes in the wake of two profit warnings from the company in the past 12 months and during negotiations with a number of potential overseas partners.

According to the company Mr Savage asked to relinquish his role as an executive director "for personal reasons". He will, however, continue as a non-executive director.

Mr Savage was one of three senior executives who helped float CentreGold in October 1993 at 125p a share together with Mr Geoff Brown, chief executive, and Mr Tim O'Connell, finance director.

The shares closed unchanged at 65p yesterday.

Since the float the cartridge market for video games has been "extremely turbulent" ahead of the arrival of a new generation of games machines and a fierce price war.

As a result CentreGold's turnover has fallen sharply and the company has sunk into losses, reflecting lower margins, stock write-downs and reorganisation costs.

In August the company issued its second profits warning this year following "extremely difficulty trading conditions" and said it would not be recommending a final dividend.

At the same time CentreGold announced it was "exploring with a small number of major international partners the possibility of a strategic alliance which could further strengthen the group's resources for the next stage of development of the international interactive multimedia industry".

Yesterday the company confirmed that these discussions were continuing, but declined to identify possible partners.

Industry speculation about talks with Sony Computer Entertainment has been denied by both companies.

Former ACT chief sets up company

By Paul Taylor

Mr Roger Foster, the computer industry entrepreneur and former chairman of ACT Group, has set up a new software and services company. This is designed to exploit the shift to client-server computer systems and Microsoft's Windows NT operating system in the financial services sector.

The new company, Financial Objects, is building an advanced software "toolset" called Domino, which will help computer programmers design and build new software applications for Windows NT quickly.

This will be supported by a range of NT consultancy and integration services for the finance sector, including network design and help connecting new client-server systems, based on desktop computers, with old-style mainframe-based "legacy" systems.

Mr Foster founded ACT in 1965 and built it into one of the largest financial software companies before it was acquired by Misys for £212m earlier this year. He claims that his new company is one of the UK's largest information technology start-ups.

Financial Objects has been funded by its senior management – which includes three other former ACT executives who hold a controlling interest in the company – and by two of the UK's leading IT venture capital groups, Schroder Ventures and Thompson Clive.

The new company's software development centre is based, like ACT, in the West Midlands, while sales and customer support will be handed out of Bishopsgate, London.

Mr Foster, who left ACT along with six other directors in April after the Misys takeover, believes that the finance industry is reaching a technology watershed, as it begins to adopt new software methodologies, such as reusable software code in the form of "objects" and rapid application development tools.

"The software industry is set to experience change as dramatic as the revolution in the hardware industry in the last decade," he says.

IN BRIEF

BARR & WALLACE Arnold Trust has disposed of its VAG business in Leeds to subsidiary of Sytner Group for £1.4m cash. Net assets sold amount to £900,000 while the business made pre-tax profits of £100,000 in its last full year.

HEWDEN STUART has paid £5.6m for WH Price, a specialist power tool company based in Birmingham. WH Price made pre-tax profits of £691,000 on turnover of £9.56m in 1994. The purchase brings the number of tool hire outlets operated by Hewden Stuart from 136 to 150.

LINTON PARK has sold five subsidiaries comprising the Caley Group for £2.61m to Caley Investments, a Caley management backed investment holding company.

SAVILLS has agreed to acquire ELLR, formerly Erdman Lewis Licensed Retail. ELLR was acquired earlier this week by two of its executive directors, Mr Ian Frost and Mr David Myers, from the Erdman receivers.

SENTRY FARMING has entered into preliminary talks with Farmwealth regarding the provision of farm management services in support of its eastern European activities. Farmwealth is a newly established farm investment company.

Euromoney chairman gets 27% pay cut

By Geoff Dyer

British Gas sale delayed

COMMODITIES AND AGRICULTURE

Diamond production begins in the Rockies

By Kenneth Gooding, Mining Correspondent

North America's first large-scale diamond mine has started production at Kelsey Lake, 2,740 metres up in the Rocky Mountains on the Colorado/Wyoming border.

Its output will be small by industry standards – 25,000 carats of diamonds in its first year and 150,000 carats annually when it reaches full production in 1997. But the quality of the stones, most of them gem diamonds, makes the mine a commercial proposition, according to Mr Tony Hamilton, president of Redaurum, the company that owns the property.

Diamonds recovered from samples have ranged up to 14.2 carats

So far 65 per cent of the diamonds recovered at Kelsey have been of gem quality and 25 per cent by weight of all those recovered have been larger than one carat. Included in these was a large octahedral gem-quality diamond of 14.2 carats, the largest ever recovered in Colorado and the eighth largest found in North America.

Mr Hamilton says Redaurum already has been approached by organisations wishing to retail the stones as unique "American diamonds" and it is reasonable to expect that they will attract a premium.

Kelsey Lake consists of a *cluster of eight kimberlite* "pipes", two of which contain commercial quantities of diamonds and cover an area of 22 *acres. Redaurum has spent* more than $2m on a milling and extraction plant to treat 250,000 tonnes of kimberlite a year. The first diamonds will emerge from the system in February.

If the first phase of the operation proves to be successful, Redaurum will construct a larger, all-weather plant to treat 1.5m tonnes of material a year.

The deposit was discovered in 1986 by a local geologist, Mr Howard Coopersmith, who lives 65km away in Fort Col*lins and acts as a consultant to* Redaurum.

Little has been heard about the project until recently because for most of the time since its discovery it has been in private hands. This changed in December when Redaurum, listed in Toronto, took full control of Kelsey.

Redaurum is now the quoted arm of Cornerstone Investments, a private group owned by *Mr Hamilton and Mr Robin* Baxter-Brown, a well known geologist who is now chairman of Redaurum. Mr Hamilton says the ground is being prepared for Redaurum to be listed on the London Stock Exchange in 1996.

Redaurum's prime asset at present is a 50 per cent share and joint management control of the River Ranch diamond mine in Zimbabwe. This was discovered in the 1980s by De Beers, the South African group that dominates the diamond industry, but never fully developed. De Beers gave up the mine because it could not agree terms to continue with the Zimbabwe government. Cornerstone took over with its Australian partner, Auridium Consolidated, in 1991.

Total diamond output from Redaurum's four operating mines – it also has two alluvial, or surface, mines in South Africa – is expected to reach 750,000 carats annually in 1997.

Resource investment booms in Western Australia

By Kenneth Gooding

Westarn Australia is experiencing an unprecedented boom in natural resources investment. Projects costing more than A$12bn (US$8.88bn) have already been given the go-ahead and most of them are using foreign capital, according to Mr Colin Barnett, the State's Minister for Resources Development.

His department estimates that if all the mooted projects for the State went ahead it would involva total capital expenditure of about A$35bn.

Mr Barnett is particularly anthusiastic about developments in the oil and gas industry. He suggests that recent discoveries show that exploration is still in its infancy in the state.

"The north-west shelf is a young area and it is not widely appreciated – not even by those on the east coast of Australia – what is going on there. There is lots of exploration still to be done," he says.

Western Australia already has 29 oil and gas fields which produced an estimated A$1.58bn worth of oil and condensate and A$1.43bn worth of natural gas and liquefied natural gas last year.

The north west shelf project supplied 5.7m tonnes of LNG to Japan in 1993-94 and production is scheduled to reach 7m *tonnes in 1995. Mr Barnett says* the market could take 20m tonnes by 2005-2010. The cost of expanding the north-west shelf'a output to this level would be between A$3bn and A$5bn. If the promising Gorgon field was put into production, the cost would be A$9bn to A$11bn. A decision about Gorgon will be made within six months.

At present by far the biggest single capital project in Australia is Broken Hill Proprietary's A$1.5bn hot briquetted iron plant under construction at Port Hedland in the Pilbara *region of Western Australia.* HBI is a form of direct reduced iron and Mr Bernett reckons that before the year 2000 there will be two, possibly three, DRI plants in operation in the State.

Western Australian Minerals Output as a Proportion of World Output in 1993-94

Gold	8%
Iron Ore	38%
Alumina*	22%
Liquefied Natural Gas	8%
Diamonds	40%
Nickel	7%
Salt	36%
Mineral Sands	13-64%

*Source: Australian Department of Resources Development. *Aluminium oxide*

He insists that the key to these investments is the State government's deregulation of the gas supply industry, which he claims has already halved gas prices in the north-west of the state. Nine private sector power stations, mostly based on natural gas, are at present under construction in the State.

A 310 km gas pipeline is being built by BHP for the HBI plant and BHP, Western Mining Corporation and the Normandy group are constructing a A$448m gas pipeline that will run nearly 1,500km from the north west shelf to the gold fields in the south of Western Australia.

This pipeline is being laid at the rate of 6km a day, "a pretty spectacular engineering feat", Mr Barnett points out. Eventu*ally, this supply of natural gas* to the energy-starved gold fields region should cut power costs there by 30 to 50 per cent, he suggests.

All the construction work has created 2,000 jobs and this will rise to 5,000 in 1996. Bnt skill shortages are developing – for engineers and design teams and for welders. Mr Barnett expects the gap will be filled by "a drift of expertise" to Western Australia from Australia's east coast.

Western Australia's economy is based solidly on a wide range of resources: it accounts for 25 per cent of global iron ore output; 20 per cent of the alumina and 40 per cent of the rutile.

Western Australia produces 8 per cent of the world'a gold in ounces but this is the most important material for the state in value terms. Gold production last year was worth A$3.25bn. Oil and gas is catching up, however, with production worth more than A$3bn.

About 20 per cent of total Australian export earnings originate in Western Australia at present. Mr Barnett says that, thanks to the investment boom, by the year 2005, this will have risen to one-third.

Land reform returning to favour for fighting hunger

The World Bank is talking about the subject with several governments, writes John Madeley

With food output needing to increase by 60 per cent over the next 25 years, according to the United Nations' Food and Agriculture Organisation, there is a revival of interest in land reform as a means to raise production.

At last month's *"Hunger and Poverty"* conference in Brussels, organised by the International Fund for Agricultural Development, Mr David Steeds of the World Bank said that since 1983 the bank had lent nothing for land reform. The failure of earlier reform *schemes, he pointed out, had* caused governments to lose interest.

But that now appeared to be changing, according to Mr Steeds. He said the bank was at present talking about land reform with several governments, incinding those of Brazil, Colombia and South Africa.

Under most land reform programmes, property rights are given to existing tenants, or land is purchased for distribution to landless people. According to a World Bank report, farmers with "clear title" to land have the incentive "to invest in the land and adopt better technologies". It said that when land in the Piaui district of north-east Brazil was redistributed to small farmers yields increased by between 10 and 40 per cent on rain-fed farms and by 30 to 70 per cent on irrigated farms. The bank pointed out that extensive land reforms in China and South Korea "provided the basis for broadly-based poverty reducing growth".

More recently, land reform in the Philippines has led to significant increases in both crop yields and farmer incomes.

In the late 1980s it was estimated that 72 per cent of rural people in the Philippines were landless and that rice ylelds were half those of China and South Korea.

Following a law passed in 1988, more than 1m hectares of land have been redistributed in the Philippines in the past three years and a 10-year target to redistribute 3.8m hectares is *now about half way to* being met. The law requires that landowners receive just compensation.

Since 1983 the World Bank bank has lent nothing for land reform, but this now appears to be changing.

Many of the redistributed lands were formerly cultivated as plantations, typically growing sugar, bananas and pineapples, which are "increasingly difficult to justify in the face of mounting land scarcity and rural unemployment", says a land reform specialist, Mr Martin Adams, in a paper presented on behalf of Britain's Ovarseas Development Institute.

He explains that the economic arguments pul forward in favour of land redistribution "focus on the diseconomies of large-scale enterprises and the need to increase returns to land".

Higher "returns to land" appear to be coming through *in the Philippines. A recent* survey of small-scale rice farmers in the province of Agusan del Norte, on Mindanao island, found that on redistributed rain-fed land, yields increased from 1.5 to 2 tonnes a hectare to 2 to 2.25 tonnes a hectare. On irrigated land, yielda rose from 3 to 3.75 tonnes a hectare to 4 to 5 tonnes a hectare. Farmers' incomes rose by about a third in both cases.

The Brussels conference heard that land reform in the *Philippines had been helped by* a "tripartite partnership" between government, non-goveromental and small-farmer organisations. Participants at the conference agreed a plan of action on hunger and poverty that urged that special attention be given to the "revival of *agrarian reform*".

Mr Adams said that many supposed land reforms had faltered because they were "opportunistically conceived" to mobilise support for government, and because of lack of administrative capacity. In some cases reforms failed because people who received land did not have access to agricultural services such as credit, training and advice.

In South Africa, land redistribution schemes of a pilot nature are starting in the country's nine provinces. Beneficiaries are being asked to supplement a small government grant with their own funds and to apply for credit from finance institutions. The government's aim is to redistribute at least 30 per cent of South Africa's arable land over the next five years.

"We want people to make sound decisions based on access to a resource which has to be used beneficially and sustainably," said South Africa's minister for land affairs, Mr Derek Hanekom. Constraints facing South Africa's land *reform measures,* said Mr Adams, included "limited public funds for land purchase; limited skills for implementation of land reform; and the difficulty of unscrambling the so-called homelands".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1680-81	1707-7.5
Previous	1686-9	1694-4.5
High/low	1680	1712/1702
AM Official	1674-5	1701-2
Kerb close		1706-6.5
Open int.	227,208	
Total daily turnover	34,270	

ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1440-50	1480-85
Previous	1430-5	1470-5
High/low		1490/1485
AM Official	1440-5	1480-5
Kerb close		1485-90
Open int.	5,087	
Total daily turnover	1,069	

LEAD ($ per tonne)

	Cash	3 mths
Close	719.5-20.5	716-7
Previous	725-6	720-1
High/low	720	718/711
AM Official	719-20	714-5
Kerb close		715-6
Open int.	33,313	
Total daily turnover	7,422	

NICKEL ($ per tonne)

	Cash	3 mths
Close	8065-85	8180-85
Previous	8070-80	8190-5
High/low	8060	8210/8160
AM Official	8060-70	8195-200
Kerb close		8200-10
Open int.	38,612	
Total daily turnover	13,751	

TIN ($ per tonne)

	Cash	3 mths
Close	6255-65	6280-90
Previous	6225-35	6260-5
High/low		6285/6270
AM Official	6240-50	6270-80
Kerb close		6285-95
Open int.	18,813	
Total daily turnover	4,173	

ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1010.5-1.5	1035-6
Previous	1011-1.5	1034-5
High/low	1011	1035/1033
AM Official	1009-9.5	1033-4
Kerb close		1035-6
Open int.	81,295	
Total daily turnover	[illegible]	

COPPER, grade A ($ per tonne)

[illegible]

HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

LONDON BULLION MARKET

[illegible]

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	387.0	-0.8	388.2	387.5	52	101
Feb	387.7	-0.9	388.7	387.5	2,031	51,902
[illegible]						

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

CRUDE OIL IPE ($/barrel)

[illegible]

HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

GAS OIL IPE ($/tonne)

[illegible]

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	122.50	-1.15	123.45	122.50	135	830
Mar	125.15	-0.85	125.80	125.05	149	2,350
[illegible]						

WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

BARLEY LCE (£ per tonne)

[illegible]

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

POTATOES LCE (£/tonne)

[illegible]

FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

SOFTS

COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	860	-12	865	865	5	2
Mar	894	-13	907	892	1,884	35,713
[illegible]						

COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

COCOA (ICCO) (SDR's/tonne)

[illegible]

COFFEE LCE ($/tonne)

[illegible]

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

COFFEE (ICO) (US cents/pound)

[illegible]

No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

WHITE SUGAR LCE ($/tonne)

[illegible]

SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.375	-0.575	66.850	66.325	4,208	30,361
Apr	66.650	-0.300	66.925	66.525	1,869	17,086
Jun	62.575	-0.275	63.800	62.475	780	9,112
[illegible]						

LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						
Jul	53.950	-0.450	54.375	53.825	324	2,318
Aug	52.550	-0.375	52.750	52.300	165	1,966
Oct	47.125	-0.275	47.500	47.050	54	387
Total					3,043	33,815

PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	58.850	-0.875	59.350	58.200	671	4,634
Mar	58.725	-0.975	59.500	58.350	82	989
May	59.700	-0.500	60.200	59.450	3	505
Jul	61.025	-0.725	61.350	60.300	62	626
Aug	57.850	-0.950	58.150	58.150	10	165
Total					828	6,919

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	93	119	-	11
1700	11	53	15	44
1800	-	17	106	107
COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	130	84	-	74
2800	45	44	10	132
2900	4	-	69	-
COFFEE LCE	Mar	May	Mar	May
1500	294	-	11	-
1550	251	-	18	-
1600	211	-	28	-
COCOA LCE	Mar	May	Mar	May
850	53	78	0	21
875	37	61	18	31
900	24	46	30	44
BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1650	-	-	-	-
1700	-	86	-	15
1750	-	63	8	-

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$17.13-7.23w	+0.27
Brent Blend (dated)	$18.81-8.86	+0.525
Brent Blend (Feb)	$18.33-8.38	+0.395
W.T.I. (1pm est)	$19.47-9.50w	+0.39

OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$172-174	+2
Gas Oil	$185-186	+9
Heavy Fuel Oil	$108-110	+2
Naphtha	$162-164	+3
Jet fuel	$211-213	+9
Diesel	$187-190	+8.5

Petroleum Argus. Tel. London (0171) 359 8792

OTHER

		+or-
Gold (per troy oz)♣	$387.25	-0.15
Silver (per troy oz)♣	516.0c	+2.5
Platinum (per troy oz.)	$405.75	+0.75
Palladium (per troy oz.)	$130.75	+0.25
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.67m	
Tin (New York)	297.5c	
Cattle (live weight)†	N/A	N/A
Sheep (live weight)†♠	N/A	N/A
Pigs (live weight)†	N/A	N/A
Lon. day sugar (raw)	$311.9	+1.7
Lon. day sugar (wte)	$368.0	
Barley (Eng. feed)	£117.75	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	108.00p	
Rubber (Feb)♥	108.00p	
Rubber (KL RSS No1)	394.5m	+1.00
Coconut Oil (Phil)§	$722.5y	-5.0
Palm Oil (Malay.)§	$580.0z	
Copra (Phil)§	464.0u	
Soyabeans (US)	213.0	+4.0
Cotton Outlook 'A' index	85.95c	+3.0
Wooltops (64s Super)	440p	

[illegible]

INDICES

[illegible]

FUTURES DATA

[illegible]

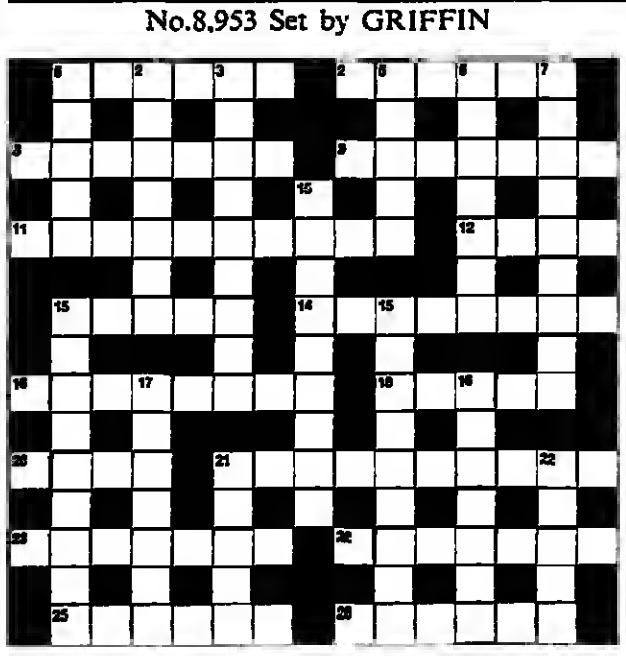
VOLUME DATA

[illegible]

JOTTER PAD

CROSSWORD

No.8,953 Set by GRIFFIN



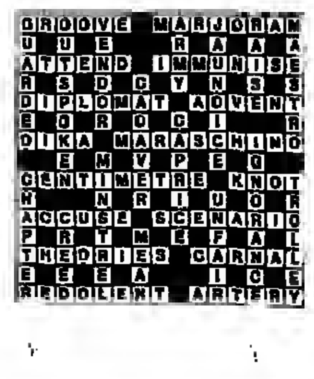
ACROSS

1 Journalist in stream appears trim (6)
4 Imaginary neural troubles (6)
8, 9 Leaving gift here after divorce (7,7)
11, 12 Pear-shaped place where people hold meetings? (10,4)
13 Ought 51 in 200 to get intestinal pain? (5)
14 Diseases caused by old woman going to toilet (6)
16 Any lass I fancy needs careful examination! (8)
18 Steals chips (5)
20, 21 Where dentists look depressed? (4,2,3,5)
23, 24 Hush when people are late? (7,7)
25 Provoke divorcee, bringing it into church (6)
26 Has tag removed, astounded (6)

DOWN

1 Supporter raised over half? Well done! (5)
2 Put top away in fresh fluid, being conscientious (7)
3 What an undertaker makes gets shorter (9)
5 A tender old railwaymen see no end of (5)
6 Made certain ringleader gets followed around (7)
7 In solitary, empty rooms bousing fellow citizens (9)
10 I say I'm not bothered by hostility (9)
13 In walking stick style's kind of Chinese (9)
15 Say nothing's up with band delaying departure (9)
17 Madman left a tunic for alteration (7)
19 Top Coventry hospital are to look up disease (7)
21 At home least as missing the opening (5)
22 Understood a spiteful woman raised it (5)

Solntion 8,953



INTERNATIONAL COMPANIES AND CAPITAL MARKETS

NedCar gets into its stride

John Griffiths on Mitsubishi and Volvo's 'world first' joint venture

To the flatlands surrounding Maastricht, oear the scene of one of the EU's biggest steps towards integration, an international union of a different kind is taking on form and substance.

Last week, Queen Beatrix of the Netherlaods opened a Fl 3bn ($1.87bn) car manufacturing joint veoture between *Mitsubishi of Japan*, Volvo of Sweden and the Dutch government.

It was very much a formality. The agreement creating the venture was signed in 1991. The 4,300 workers at the NedCar – formerly Volvo Car BV – factory at Born are getting into their stride building jointly developed Mitsubishi and *Volvo models on a production* system supplied by Mitsuhishi.

Production, which began in June, is now running at more than 300 a day. Alongside, as they have done for years, 200 a day of Volvo's current but ageing 400 family car range continue to roll off more conventional assembly lines.

The joint venture's achievement – through the reconstructioo of the plant with a pioneering production system – virtually guarantees the future of car-making in the Netherlands. Without it, the Born operations – which have their origins in the Daf company dating hack nearly 70 years – would certainly have foundered.

The maximum capacity of the new *facilities is theoretically* 180,000 units a year, with output to be shared equally betweeo Volvo and *Mitsubishi*.

However, "hy making only minor additional investments in the paint plant and to eliminate some other small bottlenecks, we believe it will be possible to raise capacity to 250,000–280,000 units a year when the Volvo 400 goes", according to Mr Dan Werbin, executive vice-presideot of *Volvo Car Corporation*.

The extra capacity is almost certain to be put in place before the end of the decade. Mitsuhishi and Volvo are discussing the *additional models* that might be built at the plant following the launch of Mitsubishi's Carisma family car, the first model off the line, in June, and Volvo's S4 and F4 saloon and estate models, sales of which are about to start throughout Europe.

Mitsuhishi expects the Carisma to lift its total European sales to at least 330,000 a year by the end of the decade compared with fewer than 200,000 now.

Both Mitsuhishi and Volvo claim the NedCar facility as a "world first" in car production, in that it is building two separate models for two different *manufacturers on the same* assembly line.

There have been previous joint productioo projects – such as Rover Group huilding Legend executive cars for Honda alongside the Rover 800 in the UK, or Chrysler and Mitsuhishi with the Dodge Stealth and Mitsuhishi 3000GT models from their Diamond Star Motors joint venture in the US. But these were essentially the *same car* with different badges.

The Volvo S4 and Mitsuhishi Carisma share many components under the skin, but have *substantially different* body shells, interiors and angines, with the Volvo models pitched well up market from the Carisma at prices about 30 per cent higher.

The production of such differing modals is made possible by the use of an innovative system derived from the one at Mizushima, Mitsubishi's most advanced and flexihle plant in Japan. The entire production system was test run in Japan before being shipped to NedCar's plant piece-by-piece.

While the Volvo and Mitsubishi car versions share a similar floor-pan, the unique features of the production system are *long rotating drums carrying* body side panels and jigs to the main body welding station.

Each drum has four sides. Currently, one side carries the panels and jigs to form a Carisma, another side the parts for a S4 or F4 Volvo. Simply rotating the drum allows either version to be huilt in any order on the assembly line without interruptioo of the cycle.

This system gives the partners the ability to introduce additional models or update existing ones without interrupting production. A Volvo 400 prior to NedCar took 40 hours to build. A Carisma or S4 currently takes 27 bours and the target is 18 hours when the plant is fully on stream.

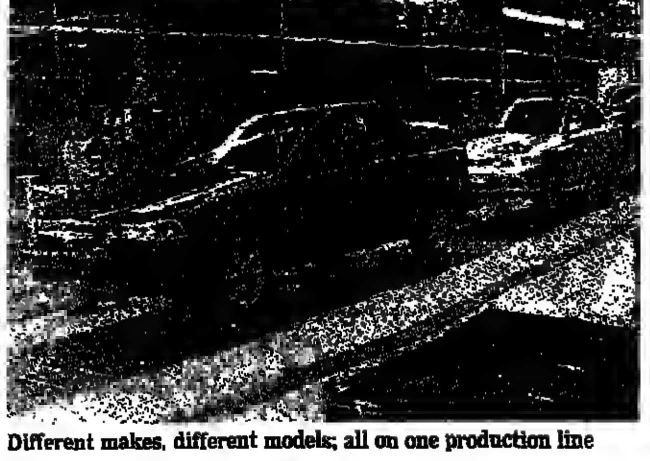
Pre-NedCar, it required a workforce of 6,500 to produce Volvo's 100,000 400 models each year. Nearly double this output will be achieved with a one-third smaller workforce.

Uoder the terms of their agreement, either partner can take up any spare capacity above their currently allocated 90,000 units. However, both Mitsuhishi and Volvo say they expect to be selling well over 100,000 units a year each of the new cars by the late 1990s and are more concerned with *increasing output from the* new plant, once Volvo 400 production ends and its assembly *space can be ntilised.*

One prohlem for NedCar, however, is that Volvo will have built and sold some 80,000 Volvo 400 models this year and most of the range is significantly cheaper than the new car. Thus, Volvo wants to carry on building the 400 for as long as demand warrants and Mr Werbin declined to say when output might finally end.

Neitber aide will give any indication of when the Dutch government might dispose of its one-third stake in NedCar. Under the terms of the venture, the stake will be divided equally *between Mitsubishi and* Volvo, leaving each with 50 per cent. Management control of the company is through a separate board appointed jointly by Mitsubishi and Volvo.

Volvo's obvious dependence on NedCar makes it unlikely that the Dutch company will follow the same course as Diamond Star Motors, Mitsubishi's pioneering 50-50 joint venture with Chrysler, and in which Mitsubishi recently bought out Chrysler's stake, although it still supplies Chrysler with cars.



Different makes, different models; all on one production line

Fall in confidence lifts US prices

By Richard Waters in New York and Antonia Sharpe in London

The yield on the benchmark 30-year US Treasury bond nudged briefly below 6 per cent yesterday morning, spurred by a reported decline in US consumer confidence.

The market rallied across the yield spectrum on news that the Conference Board's December *consumer confidence index* fell to 98.7 in December, after a jump to 101.6 the month before. The part of the index that tracks future expectations slipped to 91.7 from 92.5.

The report, along with evidence that single-family home sales fell by 1.4 per cent during November, was enough to push the yield on the long bond *down to 5.997* per cent. By midday, though, prices had edged hack. The 30-year bond was *trading at* 111$\frac{11}{32}$, *up* $\frac{3}{8}$, for a yield of 6.003 per cent.

There was further evidence that retail sales jumped in the final week before Christmas but this was not enough to offset the effects of a poor holiday season overall for retailers.

GOVERNMENT BONDS

The continuing Federal government shut-down, which yesterday entered its 12th day, looks set to limit the flow of fresh economic data further in the days ahead.

The Conference Board, for instance, said it would delay the release of its index of leading indicators, which had been due to be released last Friday, until the official data needed to calculate the index was available.

■ European government bond markets opened on a firmer note after the holiday break as they *caught up with* the gains made in the US on the Friday before Christmas and on Boxing Day. Data released in the US also helped sentiment.

"The weak US background has set the tone for the global economy and this is beneficial for bonds," said *Mr* David Brickman of Yamaichi.

However, there was virtually no trading yesterday, which meant that even a modest order could have had an impact on prices.

■ The UK gilts market was *the* strongest performer in Europe, buoyed by a firm pound even though there was no particular reason behind its strength.

The *one-point* gain in gilts caused the yield spread over Germany to come in to about 145 basis points from more *than 150* basis points before Christmas. Mr Ian Shepherdson of HSBC Markets, said that since the spread *had tightened* in such thin trading, he did not expect further outperformance during the rest of the week.

On Liffe, the March contract on the *long gilt future* rose by one point to 110$\frac{22}{32}$ in scant volume of just over 7,700 contracts. The high and low for the day were 110$\frac{5}{16}$ and 110$\frac{3}{32}$.

■ Rumours that the Bank of France could cut rates today underpinned the French market, though analysts said such *action* was unlikely during the holidays. However, they expect unilateral rate cuts in the new year. *On the Matif*, the March contract of the notional 10-year government bond future rose 0.10 to 120.32 in volume of just over 18,000 contracts.

East Asian closed fund raises $100m

By Antonia Sharpe

A Luxembourg-listed fund investing in Malaysian, Indonesian and Singaporean equities has raised about $100m from institutional investors.

The closad-end fnnd, lannched by Jupiter Asset Management in association witb Johor State Economic *Development Corporation*, will invest primarily in qnoted securities but will also invest in unquoted securities to provide long-term capital growth.

● Mercury Asset Management's new fund investing in southern Africa had attracted £27.9m ($43.5m) from institutions, below the target of £30m to £35m.

The Dublin-listed fund, which will become open ended after being closed for two years, will concentrate on domestic companies whose share capital is tightly held.

Huarte banks in rescue plan

By David White in Madrid

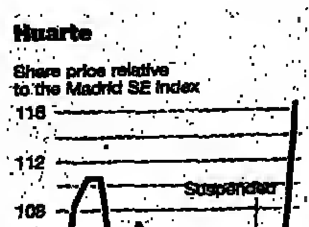
Trading resumed yesterday in the shares of Huarte, the debt-laden Spanish builder, after creditor banks agreed on a plan which will bring them in as shareholders alongside another Spanish construction group.

The CNMV securities commission suspended trading for the two previous sessions on Friday and Tuesday pending *confirmation of the agreement.*

The Pamplona-based group, ranking eighth in the sector in Spain, faces total debts estimated at Pta60bn ($492m).

Huarte shares recovered by 11.7 per cent yesterday to Pta620 from Thursday's closing level of Pta555, after plummeting from a high of Pta1,315 early in the year.

The plan includes a deht-for-equity swap under which banks have three months to take up options on Huarte shares totalling 25.3 per cent of the company's capital.



Under the agreement, these shares are understood to be valued at about Pta1.5bn, some 40 per cent less than their market value at yesterday's close.

Constructora San José, a huilding concern based in Pontevedra in north-west Spain, is to acquire a stake of just under 25 per cent, committing a total of about Pta2.5bn including Pta1bn in subordinated debt.

The stakes correspond to the 50.3 per cent held by Grupo Hasa, which the hanks are understood to have insisted on removing as controlling shareholder as a condition for agreeing a financial restructuring.

The deal, which will enable credit lines to he re-opened, was concluded after banks rejected a plan from Samuel Montagu of the UK, acting as adviser. It was endorsed by Banco Central Hispanoamericano, Banco Exterior de España, Banco Arabe Español, Banque Indosuez and Banco *Atlántico*, but left a number of issues to he settled. These include payments owed to Huarte by *Grupo Hasa.*

A new chairman is expected to be named to replace Mr Joaquín Casasús, who was promoted to the job when the previous chairman Mr Mario Caprile resigned in July after being cited in a bribery case. The two men are partners in Grupo Hasa along with Banco Arabe Español.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	110.1800	+0.940	8.48	8.41	8.81
Austria		6.500	11/05	100.8000	+0.200	6.39	6.44	6.77
Belgium		6.500	03/05	98.5000	+0.270	6.72	6.72	6.79
Canada *		8.750	12/05	111.4900	+1.190	7.11	7.35	7.59
Denmark		8.000	03/06	105.0600	+0.600	7.27	7.30	7.58
France	BTAN	7.750	04/00	107.0900	+0.290	5.90	5.91	6.17
	OAT	7.750	10/05	107.7200	+0.450	6.66	6.69	6.99
Germany Bund		6.500	10/05	103.2400	+0.370	6.05	6.10	6.40
Ireland		8.250	10/04	91.5500	[illegible]	7.59	7.47	7.65
Italy		10.500	09/05	99.4500	+0.850	10.59†	10.88	11.32
Japan	No 129	6.400	03/00	116.4560	-0.000	1.70	1.33	1.41
	No 174	4.600	09/04	111.6300	-1.270	2.93	2.63	2.72
Netherlands		6.750	11/05	104.9200	+0.290	6.06	6.13	6.30
Portugal		11.875	02/05	111.8600	+0.310	9.84	9.95	10.64
Spain		10.150	01/06	102.3000	+0.440	9.69	9.90	10.52
Sweden		6.000	02/05	84.3450	+0.225	8.54	8.60	9.18
UK Gilts		8.000	12/00	105-02	+10/32	6.77	6.60	7.18
		8.500	12/05	107-19	+29/32	7.40	7.45	7.80
		9.000	10/08	111-21	+32/32	7.56	7.61	7.93
US Treasury *		5.875	11/05	101-21	+18/32	5.65	5.80	5.96
		6.875	08/25	111-30	+37/32	6.01	6.15	6.29
ECU (French Govt)		7.500	04/05	103.2800	+0.330	7.00	6.98	7.42

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest			Treasury Bills and Bond Yields			
Prime rate	8½		One month	5.15	Two year	5.23
Broker loan rate	7¼		Two month	5.13	Three year	5.30
Fed.funds	5½		Three month	5.06	Five year	5.46
Fed.funds at intervention	[illegible]		Six month	5.23	10-year	5.67
			One year	5.20	30-year	6.02

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.24	120.30	+0.06	120.34	120.16	21,184	121,120
Jun	120.64	120.74	+0.10	120.74	120.62	712	3,852
Sep	119.78	119.96	+0.10	119.78	119.78	2	615

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	Mar	Jun	PUTS Jan	Mar	Jun
118	-	2.63	-	0.01	0.29	0.74
119	-	1.69	-	0.02	0.60	1.01
120	0.30	1.23	2.01	0.05	0.93	1.35
121	0.02	0.73	-	0.72	-	-
122	-	0.38	-	-	-	-

Est. vol. total, Calls 5,745 Puts 24,500. Previous day's open int., Calls 147,831 Puts 149,426.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100% (Dec 22)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.70	96.83	-0.22	96.83	96.70	12985	186482
Jun	96.18	96.16	-0.22	-	-	0	2056

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% (Dec 22)

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9850	0.77	1.03	0.85	1.15	0.44	0.70	1.19	1.49
9900	0.50	0.78	0.64	0.93	0.67	0.93	1.48	1.77
9950	0.31	0.54	0.47	0.75	0.98	1.21	1.81	2.09

Est. vol. total, Calls 3720 Puts 2549. Previous day's open int., Calls 144520 Puts 123239

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100% (Dec 22)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106.60	107.25	+0.89	107.30	106.60	8842	50831
Jun	106.30	106.65	+0.89	106.65	106.30	100	1092

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% (Dec 22)

Strike Price	CALLS Mar	Jun	PUTS Mar	Jun
10700	1.77	2.43	1.52	2.78
10750	1.53	2.20	1.78	3.05
10800	1.30	1.99	2.05	3.34

Est. vol. total, Calls 1243 Puts 148. Previous day's open int., Calls 41734 Puts 30599

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.40	95.65	+0.41	95.72	95.19	22,095	48,530

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100% (Dec 22)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-06	110-10	+0-10	110-11	110-06	563	13583
Mar	109-26	109-29	+0-08	109-31	109-25	7569	130531

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% (Dec 22)

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
109	1-26	1-54	1-55	2-20	0-34	0-60	1-33	1-62
110	0-55	1-17	1-24	1-50	0-61	1-23	2-02	2-28
111	0-28	0-53	1-00	1-25	1-34	1-59	2-42	3-03

Est. vol. total, Calls 201 Puts 100. Previous day's open int., Calls 15575 Puts 14062

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.12	90.12	-	90.18	90.12	984	6,155

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	120-10	120-24	+0-14	120-24	120-10	32,717	365,106
Jun	120-00	120-09	+0-14	120-09	120-00	95	16,480
Sep		119-13					5,464

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% (Dec 22)

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	120.75	-	-	120.77	120.62	1747	0
Jun	118.30	-	-	119.34	119.23	285	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 27	Day's change %	Fri Dec 22	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	123.20	+0.14	123.03	1.87	10.77
2 5-15 years (21)	150.53	+0.74	149.43	1.75	12.47
3 Over 15 years (8)	168.34	+0.97	166.72	2.44	13.26
4 Irredeemables (6)	192.23	+0.42	191.43	1.07	14.71
5 All stocks (58)	145.37	+0.58	144.54	1.93	12.12
Index-linked					
6 Up to 5 years (1)	196.57	+0.07	196.43	1.50	8.37
7 Over 5 years (11)	186.59	+0.24	186.13	0.70	5.47
8 All stocks (12)	186.64	+0.24	186.19	0.72	5.53

Yields	Low coupon Dec 27	Dec 22	Yr. ago	Medium coupon Dec 27	Dec 22	Yr. ago	High coupon Dec 27	Dec 22	Yr. ago
5 yrs	6.88	6.97	8.49	6.88	6.96	8.46	7.04	7.12	8.67
15 yrs	7.60	7.71	8.33	7.66	7.75	8.47	7.74	7.83	8.67
20 yrs	7.69	7.79	8.30	7.72	7.82	8.47	7.80	7.88	8.63
Irred.†	7.86	7.89	8.39						

Inflation rates	Inflation 5% Dec 27	Dec 22	Yr. ago	Inflation 10% Dec 27	Dec 22	Yr. ago
Up to 5 yrs	2.46	2.48	4.01	1.24	1.26	2.74
Over 5 yrs	3.52	3.53	3.83	3.31	3.33	3.84

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 27	Dec 22	Dec 21	Dec 20	Dec 18	Yr ago	High*	Low*
Govt. Secs. (UK)	95.75	95.42	95.36	95.85	95.53	92.01	96.22	90.22
Fixed Interest	114.32	114.23	114.34	114.32	114.31	109.84	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18
Gilt Edged bargains	42.8	76.4	75.7	90.7	83.0
5-day average	73.7	81.0	83.2	85.5	83.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 27

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Sterling rises in quiet trading

By Robert Chote

The pound posted its strongest rise in European trading for three and a half months yesterday, as thin holiday activity exaggerated the impact of modest sterling buying.

Against a trade-weighted basket of other currencies, the pound gained 0.6 points from its pre-Christmas close to end at 83.6 per cent of its 1990 value. This was its highest finish for six weeks, but leaves the currency more than 5 per cent down since the beginning of the year.

The pound began its ascent in overseas markets on Tuesday, with the trigger variously reported to be a single large buyer from the US, the Middle East or the Far East. Sterling opened 0.3 points up on its pre-Christmas close yesterday in London and made steady progress thereafter.

The pound ended the London trading day 0.47 pfennigs up from its Boxing Day close at DM2.2334 and 0.55 cents higher at $1.5605. Dealers said the next psychological barrier would come at $1.5620. The D-mark had a mixed day against other European currencies; the French franc rose from FFr3.428 to the D-mark to FFr3.422.

Mr Steve Barrow, currency analyst at Chemical Bank in London, said the thin trading conditions had exaggerated the pound's climb and that there were no fundamental factors to explain it. He noted that sterling had posted an increase against the dollar at the same time last year.

"I'd be suspicious of this rise in sterling. In no way is it necessarily indicative", Mr Barrow said. He expects the pound to drop towards $1.45 during next year and to revisit its lows against the D-mark.

■ The US dollar slipped a fifth of a pfennig against the D-mark, closing at DM1.4333. In addition to the usual seasonal torpor, trading was subdued by the continued uncertainty surrounding the US budget negotiations. President Bill Clinton is due to meet Congressional leaders on Friday.

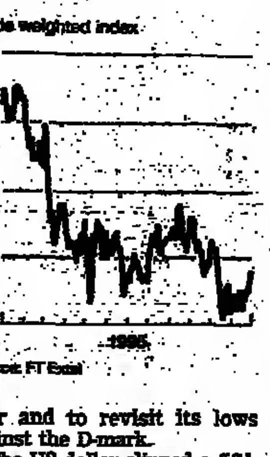
Mr Lawrence Hatheway, currency analyst at UBS, said that there was little chance of a decisive move until the "pall" of the budget negotiations had been lifted. Thereafter, he said, the markets would be looking for the next cut in US rates.

■ Finance ministers from the Group of Seven leading industrial countries are to meet in Paris on January 20.

Currency trends have slipped down the G7 agenda following the dollar's performance in the second half of the year, but Mr Hatheway said ministers might still indicate that they felt the dollar should not depreciate. The ministers will also discuss the appropriate policy response to evidence in many countries of slowing global growth.

Sterling

Trade weighted index



Source: FT Extel

■ Pound in New York

Dec 27	Latest	Prev. close
£ spot	1.5600	1.5609
1 mth	1.5598	1.5590
3 mth	1.5569	1.5569
1 yr	1.5472	1.5485

■ OTHER CURRENCIES

Dec 27	£	$
Czech Rp	41.5428 - 41.5824	26.6300 - 26.6400
Hungary	212.909 - 213.198	136.480 - 136.580
Iran	4682.70 - 4680.00	3000.00 - 3000.00
Kuwait	0.4663 - 0.4673	0.2989 - 0.2994
Poland	3.8477 - 3.8528	2.4655 - 2.4680
Russia	7247.25 - 7247.75	4643.00 - 4646.00
U.A.E.	5.7291 - 5.7329	3.6725 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Dec 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7145	+0.0317	067 - 223	15.8777	15.6539	15.671	3.3	15.627	2.2	-	-	108.8
Belgium	(BFr)	45.8773	-0.0147	328 - 217	45.9680	45.6970	45.7728	2.7	45.5928	2.5	44.8823	2.1	109.0
Denmark	(DKr)	8.6480	+0.0154	432 - 528	8.6686	8.6156	8.6364	1.6	8.619	1.3	8.5605	1.0	109.6
Finland	(FM)	6.7763	+0.0378	685 - 841	6.7970	6.7310	6.7719	0.8	6.7638	0.7	-	-	86.7
France	(FFr)	7.6423	+0.0034	362 - 484	7.6671	7.6168	7.6371	0.8	7.6289	0.7	7.5825	0.8	110.8
Germany	(DM)	2.2334	+0.0047	324 - 344	2.2380	2.2240	2.2288	2.4	2.2197	2.5	2.1793	2.4	111.4
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 27		Closing mid-point	Change on day	Bid/offer spread
Europe				
Austria	(Sch)	10.0705	-0.0149	684 - 726
Belgium	(BFr)	29.4000	-0.1125	800 - 200
Denmark	(DKr)	5.5420	-0.0095	405 - 435
Finland	(FM)	4.3426	+0.009	388 - 463
France	(FFr)	4.8975	-0.015	950 - 000
Germany	(DM)	1.4313	-0.002	310 - 315
[illegible]				

UK INTEREST RATES

LONDON MONEY RATES

Dec 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 7/8 - 5	6 3/4 - 6 1/2	6 9/16 - 6 7/16	6 1/2 - 6 1/2	6 7/16 - 6 5/16	6 3/8 - 6 1/4
Sterling CDs	-	-	6 1/2 - 6 7/16	6 1/2 - 6 7/16	6 5/16 - 6 1/4	6 1/4 - 6 3/16
Treasury Bills	-	-	6 3/8 - 6 5/16	6 1/4 - 6 3/16	-	-
Bank Bills	-	-	6 15/32 - 6 13/32	6 5/16 - 6 1/4	6 9/32 - 6 7/32	-
Local authority deps.	6 9/16 - 6 7/16	6 11/16 - 6 7/16	6 9/16 - 6 7/16	6 9/16 - 6 7/16	6 1/2 - 6 3/8	6 3/8 - 6 1/4
Discount Market deps	6 7/8 - 6 1/4	6 5/8 - 6 3/16	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1728pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 23, 1996, Schemes II & III 7.98pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.728pc. Finance House Base Rate 7pc from December 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% (Dec 22)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.78	93.78	+0.01	93.79	93.77	3870	92531
Jun	93.91	93.91	+0.01	93.93	93.90	901	59972
Sep	93.93	93.93	-0.02	93.94	93.92	1108	51273
Dec	93.80	93.80	+0.02	93.81	93.79	710	35022
Mar	93.62	93.65	+0.04	93.65	93.62	474	32139

Also traded on APT. All Open interest figs. are for previous day.

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100% (Dec 22)

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9000	0.41	0.74	0.96	0.31	0.34	0.43
9025	0.29	0.58	0.80	0.44	0.43	0.52
9050	0.18	0.45	0.66	0.58	0.55	0.63

Est. vol. total, Calls 75 Puts 0. Previous day's open int., Calls 7206 Puts 4485

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7021	0.7010	-0.0007	0.7026	0.6990	7,385	48,060
Jun	-	0.7042	-0.0005	-	0.7042	2	2,881
Sep	0.7060	0.7060	-0.0014	0.7060	0.7055	6	1,087

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8745	0.8738	-0.0002	0.8748	0.8715	3,086	32,823
Jun	0.8792	0.8795	-0.0022	0.8814	0.8792	35	944
Sep	-	0.8869	-	-	-	18	87

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.75	●Singer & Friedlander	6.50
AIB Bank	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs.	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.75
Bank of Baroda	6.75	Girobank	6.75	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk.	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.75		
Barclays Bank	6.50	C. Hoare & Co	6.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Bannqs 8pc Cnv 2nd Pf.		60½ xd	....	98	50¼	6.31	19.8	–
Cater Allen	♣†v	428xd	–1	525	418	139.5	8.8	7.1
Close Bros	♣v□	318	–1	*340½	216¼	388.3	3.4	14.1
Gerrard & Nat	♣v	444	.....	490	335	218.7	6.3	14.3
Hambros	v□	180	+2	253	180	351.0	4.1	–
7½pc Cv Pf.		60	.....	112	94	126.2	9.8	–
Joseph (L)	♣†v	449xd	.....	483	353	23.7	5.2	25.0
King & Shaxson	♣v□	138½xd	–4½	145	85	35.1	6.2	10.6
Rea Brothers	♣v	98	.....	57	44	21.9	1.8	70.4
Schroders	♣†hv□	1310	+7	*1478	906¼	1,978	1.4	16.7
N/V	†hv	1085	–3	*1150	820¼	481.8	1.6	15.6
Singer & Fried	♣†v□	109	.....	111	61	214.4	4.2	11.3
8½pc Cv Ln 09/14		£135¾	.....	£137	£7[illegible]	41.8	6.3	–
Union	♣v□	93	–3	121	70	24.7	4.0	–
Wintrust	♣†v	275	.....	285	200	23.6	5.4	15.5

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£28[illegible]	–[illegible]	£29⅜	£21⅞	8,684	4.5	10.7
ANZ A$		296	–4	303	198	4,141	5.3	Φ
Abbey National	♣†v□	638	+6	654	413	8,421	3.8	12.9
Allied Irish £	♣†□	348	+1	388	250	2,319	4.2	10.1
Anglo Irish £	□	65xd	.....	70	48	223.7	6.7	11.0
Asahi Y	□	816¼	+½	857¾	605¼	18,985	0.5	–
Banco Bil Viz Pta	□	£22[illegible]	–[illegible]	£22½	£14[illegible]	5,000	3.8	0.8
Banco Sant Pta		£30[illegible]	.....	£31½	£22½	4,941	4.3	21.1
Bk Ireland £	†v□	487xd	–½	489	388	2,220	3.6	9.4
Bank Scotland	♣†v□	279½	–1½	287½	191½	3,285	2.7	12.4
9¼pc Pf		119½	+1	120½	109¾	119.5	9.7	–
9¾pc Pf		125¾	+1	127¼	112¼	125.8	8.7	–
Barclays	♣†v□	743	–4	872½	557½	12,051	3.8	10.1
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Brent		[illegible]						
British Vita		[illegible]						
Canning (W)		[illegible]						
Cementone		[illegible]						
Warrants		[illegible]						
Courtaulds		[illegible]						
Croda		[illegible]						
Doeflex		[illegible]						
Ellis & Everard		[illegible]						
Engelhard		[illegible]						
European Colour		[illegible]						
Gibbon		[illegible]						
Hickson		[illegible]						
Hoechst DM		[illegible]						
Holliday Chem		[illegible]						
ICI		[illegible]						
Inspec		[illegible]						
Kalon		[illegible]						
Laporte		[illegible]						
MTM		[illegible]						
Manders		[illegible]						
Metrotect		[illegible]						
Perstorp		[illegible]						
Porvair		[illegible]						
Scapa		[illegible]						
Sutcliffe Speakman		[illegible]						
Wellington		[illegible]						
Wolstenholme		[illegible]						
Yorkshire Chem		[illegible]						
Yule Catto		[illegible]						
Zotefoams		[illegible]						

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

صكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

OTHER SERVICES & BUSINESSES - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛		£34	£29	2,111	2.7	15.7
Barlow	♣	£9½xd	-¼	£9⅝	£4.9	1,813	1.6	♦
Gold Flds Prop B		184		195	136	15.7	6.8	7.0
MK Props		82		90	85	3.70	12.8	-
SASOL	♥	523	-8	648	435	3,082	2.6	-
SA Brews		£22¾xd	-⅛	£23⅝	£12⅞	6,821	1.5	31.9
Standard Bank	□	£30⅛	-⅜	£31⅜	£20⅜	3,806	1.5	21.0
Tiger Oats		1150xd		1165	700	1,730	1.8	♦
Tongaat-Hulett	†	1027xd		1100	636	870.1	1.8	30.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Lazard Freres Asset Management (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

The Fiduciary Trust Global Fund
12 Lower Leeson Street 00 353 1 661 3433

GAM Fund Management Ltd (u)

GT Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Bordier Invest (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calpine Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Barclays Intl Funds

LUXEMBOURG (SIB RECOGNISED)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Templeton Global Strategy Funds

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Chase Manhattan Vista Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Canco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chancellor Indian Investment Corp

The China Fund

Global Asset Management - Contd.

Republic Funds

Sun Alliance International Life

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

ATSP Management Ltd

AXA Asset Management

Abtrust Fund Mngrs (Guernsey) Ltd

Acciones y Valores de Mexico SA de CV

Africa Emerging Markets Fund

Alliance Capital

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Gilts help shares to continue end-year rally

By Philip Coggan, Markets Editor

Many traders may have stayed at home enjoying an extended holiday, but the UK stock market still managed some festive fun yesterday, rising for the fourth consecutive session.

By the close the FT-SE 100 index was 18.1 points higher at 3,676.4. That means the laading index is more than 600 points ahead of its end-1994 level and within sight of the all-time closing peak of 3,680.4 recorded oo December 1.

A small programme trade, which was reported to be weighted mainly on the buy side, helped to push shares ahead yesterday but volume was generally thin.

The FT-SE 100 started the day marginally lower, softening 0.9 at its worst to 3,657.4. BT and Severn Trent Water went ex-dividend, knocking around four points off the leading index.

But the market quickly rallied with the help of strong performances from gilts and sterling. The 10-year benchmark government bond rose by around three-quarters of a point, bringing the gross redemption yield back below 7.5 per cent. Compared with Friday's close, sterling has risen by around 1¾ cents against the US dollar and by 1⅓ pfennigs against the D-Mark.

The FT-SE Mid 250 index climbed 14.3 points to 3,999.7, its highest level of 1995. However, the junior index remains well below its all-time high of 4,152.8 reached in early 1994.

On the corporate front, the main news was the proposed £1.05bn sale of restaurants, service stations and motels by Forte to Whitbread; the deal will only go through if the bid from Granada fails.

The best performing Footsie stock was British Steel, which has fallen sharply since the summer but now seems to be attracting some yield-based buying.

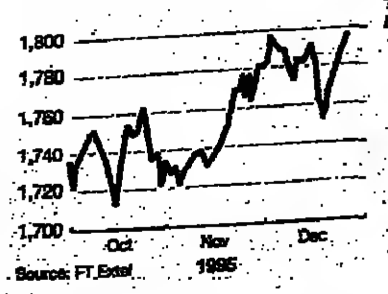
In the afternoon, London was given a further fillip by Wall Street, as happened many times before in 1995. The Dow Jones Industrial Average was stronger in early trading and by London's close was still around 8 points ahead.

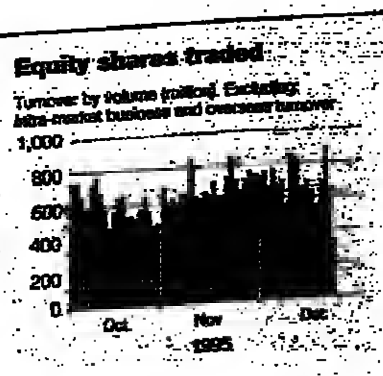
Trading was very quiet and is expected to remain so for the rest of the week, with most dealers taking a combined Christmas-new year holiday. By the 4.30pm count, volume was a meagre 278.7m shares, of which around 48 per cent was in non-Footsie stocks. The value of customer business on Friday, a shortened trading session, was just £829m.

A strong Christmas-new year period is no surprise to students of the stock market. According to the Schwartz Stock Market Handbook, December and January are the best two months of the year for investors. January is tha best single month for shares, with an average gain of almost 2.5 per cent over 75 years.

This "January effect" has also been spotted in the US and may be psychological as investors make a fresh start and allocate funds to shares as the new year begins.

The market may face an uphill struggle to move ahead in early trading today, however, as a special dividend from TSB, which is merging with Lloyds Bank, knocks around 7.5 points off the index.





Indices and ratios

FT-SE 100	3676.4	+18.1
FT-SE Mid 250	3999.7	+14.3
FT-SE-A 350	1823.5	+8.4
FT-SE-A All-Share	1795.71	+8.02
FT-SE-A All-Share yield	3.80	(3.82)
FT Ordinary index	2674.1	+13.6
FT-SE-A Non Fins p/e	16.63	(16.54)
FT-SE100 Fut Mar	3694.0	+29.0
10 yr Gilt yield	7.42	(7.52)
Long gilt/equity yld ratio:	2.05	(2.06)

Best performing sectors

1. Tobacco +1.5
2. Electronic & Elec. Eqp +1.3
3. Oil, Integrated +1.2
4. Breweries +1.1
5. Pharmaceuticals +1.0

Worst performing sectors

1. Electricity -0.7
2. Telecommunications -0.5
3. Utilities -0.4
4. Gas Distribution -0.4
5. Health Care -0.3

Reshuffle hints lift GEC

GEC rose to a near two-year high amid speculation about a successor to managing director Lord Weinstock and hopes for buoyant defence orders.

The defence electronics and telecoms equipment group may name a new chief executive in the first half of 1996, possibly leading to further restructuring and management changes.

The shares advanced 8 to 351p with around 7m traded. GEC has said in the past it will announce a successor to Lord Weinstock during 1996, but said nothing more when announcing first-half results in early December.

However, analysts expect news on the company's management in the first part of the oew year.

Forte active

Confirmation of the long-awaited sale of its roadside restaurants belped Forte motor forward 6 to 332p.

The £1.05bn sale of Forte's Little Chef and Happy Eater chains, its Welcome Break and Cote France motorway service units, and its Travelodge budget hotel chain, constitute the latest defence in its fight to resist the bid by Granada.

It is contingent on the bid being rejected by shareholders and analysts said it provides the opportunity for a special dividend payout.

It also puts pressure on Granada to raise its bid, which currently values Forte at 322p a share. Mr Paul Slattery of Kleinwort Benson believes the media and leisure group needs to raise its offer by approximately 15 per cent should its own share price not recover.

The sale has been on the cards since Forte said in its first defence statement in early December that it would demerge its hotel and restaurant businesses.

However, some analysts were sceptical over whether the disposal would strengthen Forte's defence. One said the sale terms did not help because it did not enhance anything for shareholders, being earnings neutral and affecting a business with significant potential to be rejuvenated.

Analysts said the move was more positive for Whitbread, the buyer, as it was taking on a business with good growth potential that would help it to be seen as a leisure company rather than e brewing stock.

Granada gained 8 at 643p and Whitbread 6 at 670p.

Dixons, the high street electrical goods chain, jumped 18 to 449p ahead of the announcement at the close of trading that it is to enter the Footsie today. The group will replace TSB, which today merges with Lloyds Bank. Dixons will be replaced in the FT-SE Mid 250 index by FirstBus, the transport group, up 5 at 156p.

TSB will today go ex a 68p special dividend which is expected to knock 7.5 points off the value of the Footsie.

Internationally traded stocks were generally firmer in response to the pre and post-Christmas strength on Wall Street, as well as the latest rise in tha Japanese Nikkei.

BAT Industries moved forward 8 to 576p, nudging its all-time high, as the row with ITC, of India, in which it is a big shareholder, appeared to be dying down. Rank Organisation added 15 at one stage, with a UK broker said to be recommending the stock as its star buy for 1996. But the shares slipped later to end only 6 up at 454p.

Oil majors continued their relentless rise in response to the surge in the price of Brent crude, which was yesterday pushing towards $19 a barrel. BP announced a deal with Algeria's state oil company and was testing record highs with a gain of 10 to 545p.

Housabuilding racovery hopes halped Wilson (Connolly) notch up 7 to 167p.

Reunion Mining, which started trading in London last week, plumbed new depths with a drop of 10 to 56p. It came to the market at 80p.

Midlands Electricity sparked 16 higher to 769p on speculation that Tractebel, the Belgian utility which is joint owner of two Northern Irish power stations, was interested in the company.

MARKET REPORTER: Peter John.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT) (Dec 22)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3654.0	3685.0	+20.0	3678.0	3654.0	4320	63153
Jun	-	3656.0	+20.0	-	-	0	1116

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4010.0	+20.0	-	-	0	3315

■ FT-SE 100 INDEX OPTION (LIFFE) (3676) £10 per full index point

[illegible]

Calls 1,387 Puts 1,267

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 460 Puts 671 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FINANCIAL TIMES EQUITY INDICES

	Dec 27	Dec 22	Dec 21	Dec 20	Dec 19	Yr ago	*High	*Low
Ordinary Share	2674.1	2660.5	2641.8	2633.0	2595.3	2360.9	2676.1	2238.3
Ord. div. yield	4.05	4.07	4.10	4.11	4.16	4.43	4.73	4.02
P/E ratio net	15.86	15.79	15.67	15.64	15.47	17.81	21.33	15.35
P/E ratio nil	15.66	15.59	15.48	15.44	15.28	17.25	22.21	15.17

*For 1995. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2661.1	2661.4	2661.7	2671.3	2670.8	2673.4	2673.9	2675.5	2674.1	2676.7	2659.3

	Dec 27	Dec 22	Dec 21	Dec 20	Dec 19	Yr ago
SEAQ bargains	18,430	13,836	23,758	26,956	27,556	12,414
Equity turnover (£m)†	-	829.0	1794.9	2661.3	1817.2	686.1
Equity bargains†	-	17,919	28,705	32,159	30,331	16,738
Shares traded (ml)†	-	351.7	658.5	904.4	690.9	384.5

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	633	Total Highs	98	Total contracts	9,296
Total Falls	581	Total Lows	31	Calls	4,957
Same	1652			Puts	4,339

Dec. 27 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	72.6	160	149½	Cortworth	152	+1	Rv5.8	2.1	4.8	12.5
-	F.P.	54.8	111	108	Cox Insurance	111	+1	-	-	-	-
-	F.P.	14.0	60	52	†Crown Products	53		-	-	-	-
-	F.P.	15.0	80	80	†Dmatek	80	-1	-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	27.3	103	98	Finsbury Tech	103	+1	-	-	-	-
-	F.P.	14.8	146	125	Gardner (L)	132		-	-	-	-
200	F.P.	21.5	209	198	Gearhouse	199		Lv4.4	3.5	2.8	13.0
-	F.P.	3.38	118	83	Jasmin	83		-	-	-	-
-	F.P.	14.7	28	24	†Marx & O'eeas	25		-	-	-	-
204	F.P.	3,373.5	214½	196	National Grid	199½	+½	Wv11.23	2.3	7.0	9.0
-	F.P.	8.59	78	75	†Nthn Petlm	75		-	-	-	-
-	F.P.	92.2	380	345	†Pet City	380		-	-	-	-
-	F.P.	25.0	152	124	†Polymasc Pharms	125		-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dlty	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
-	F.P.	194.3	48	38	†Trocadero	48		-	-	-	-
133	F.P.	44.9	135	133	Unicorn Intl	134		Wv5.5	2.2	5.1	11.2
-	F.P.	168.7	244	213	Victrex	243½	-½	Lv3.6	2.4	1.8	28.5
-	F.P.	3.90	135	125	†Viewinn	130		-	-	-	-
-	F.P.	47.1	68	55	Wilmington	68		v-	-	-	31.0

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 26	% chg on day	Dec 22	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(34)	1933.11	+0.0	1932.45	1909.75	1.75	-	2063.68	1837.91
■ Regional Indices								
Africa (16)	2518.14	-0.1	2517.52	3116.67	3.67	26.53	3191.21	2272.74
Australasia (6)	2368.59	+0.0	2367.89	2384.38	2.08	37.40	2807.57	1768.20
North America (12)	1708.91	+0.1	1707.60	1481.38	8.79	50.71	1831.00	1348.18

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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	198	422	+2
ASDA Group†	3,800	110¼	-¼
Abbey National†	840	636	+6
Albert Fisher	615	49	
Allied Domecq†	1,700	517	+6
Anglian Water	423	607	-7
Argos†	187	569	-2
Argyll Group†	857	336	+4
Arjo Wiggins	270	184	+3
Assoc. Brit. Foods†	434	371	-1
Assoc. Brit. Ports	437	282	+3
BAA†	980	482	-4
BAT Inds.†	3,500	576	+8
BET	3,200	122	
BICC	738	278	+1
BOC†	340	898	+6
BP†	3,300	545	+10
BPB Inds.	114	298	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

FT - SE Actuaries Share Indices — The UK Series

	Dec 27	Day's chge%	Dec 22	Dec 21	Dec 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3676.4	+0.5	3658.3	3633.3	3613.7	3095.8	3.88	2.09	15.39	145.77	1486.51
FT-SE Mid 250	3999.7	+0.4	3985.4	3967.3	3960.1	3506.1	3.64	1.85	18.57	164.58	1575.10
FT-SE Mid 250 ex Inv Trusts	4012.2	+0.3	3998.7	3980.9	3974.2	3509.0	3.77	1.91	17.38	173.64	1581.32
FT-SE-A 350	1823.5	+0.5	1815.1	1803.5	1795.2	1549.4	3.83	2.04	15.97	72.85	1488.56
FT-SE-A 350 Higher Yield	1826.2	+0.4	1821.0	1810.0	1799.6	1570.5	4.90	1.85	13.78	92.16	1240.38
FT-SE-A 350 Lower Yield	1823.4	+0.5	1813.6	1801.6	1795.2	1528.2	2.73	2.40	19.12	52.17	1240.63
FT-SE SmallCap	1936.42	+0.2	1931.70	1928.30	1926.91	1747.39	3.43	1.70	21.45	62.02	1565.44
FT-SE SmallCap ex Inv Trusts	1912.13	+0.3	1907.35	1904.32	1903.64	1716.67	3.68	1.77	19.14	65.00	1554.14
FT-SE-A ALL-SHARE	1795.71	+0.4	1787.69	1776.91	1769.20	1532.64	3.80	2.02	16.27	70.69	1489.58

■ **FT-SE Actuaries All-Share**

	Dec 27	Day's chge%	Dec 22	Dec 21	Dec 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3282.03	+1.0	3250.40	3236.36	3211.01	2704.56	3.57	2.02	17.35	118.72	1381.10
12 Extractive Industries(7)	4246.14	+0.1	4242.54	4226.27	4194.47	3790.58	3.49	2.51	14.20	144.17	1217.58
15 Oil, Integrated(3)	3326.95	+1.2	3288.58	3275.78	3249.70	2682.08	3.70	1.96	17.28	123.19	1435.18
18 Oil Exploration & Prod(13)	2157.26	+0.8	2139.39	2117.63	2102.93	1871.70	2.33	1.49	35.91	49.88	1280.48
20 GEN INDUSTRIALS(278)	1952.88	+0.7	1938.56	1928.91	1919.26	1840.85	4.25	1.28	15.56	82.31	1048.60
21 Building & Construction(38)	1037.97	+0.7	1030.74	1029.06	1025.31	988.09	3.88	2.03	15.84	40.32	855.17
22 Building Matls & Merchs(31)	1802.86	+0.2	1799.22	1785.79	1782.27	1795.53	4.08	2.04	14.96	73.56	894.73
23 Chemicals(23)	2319.16	+0.2	2313.79	2314.40	2313.80	2280.44	4.23	1.87	15.82	95.74	1079.97
24 Diversified Industrials(20)	1756.94	+0.8	1741.40	1735.19	1734.06	1762.46	5.61	1.57	14.20	98.09	980.86
25 Electronic & Elect Equip(37)	2212.12	+1.3	2182.94	2182.41	2131.48	1856.24	3.39	2.00	18.45	75.80	1134.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

Bldg & Cnstrcn	1039.3	1040.4	1040.4	1040.8	1044.2	1047.6	1048.1	1043.9	1039.9	1049.0	1038.3	+6.7
Pharmaceuticls	4966.9	4980.3	4975.8	5006.3	5007.9	5008.6	5008.6	5082.5	5804.2	5006.2	4955.6	+50.6
Water	2151.9	2151.8	2149.4	2150.4	2150.6	2149.2	2150.4	2152.8	2154.7	2155.9	2150.4	+4.6
Banks, Retail	4085.8	4094.8	4100.3	4103.0	4100.4	4098.3	4097.1	4092.4	4095.4	4085.3	4096.1	-2.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 27 / Sch)

BELGIUM/LUXEMBOURG (Dec 27 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Dec 27 / Kr)

FINLAND (Dec 27 / Mks)

FRANCE (Dec 27 / Frs.)

GREECE (Dec 27 / Drachma)

ITALY (Dec 27 / Lire)

GERMANY (Dec 27 / Dm.)

NETHERLANDS (Dec 27 / Fls.)

NORWAY (Dec 27 / Kroner)

POLAND (Dec 27 / Zloty)

PORTUGAL (Dec 27 / Escudo)

SPAIN (Dec 27 / Pts.)

SWEDEN (Dec 27 / Kronor)

SWITZERLAND (Dec 27 / Frs.)

TURKEY (Dec 27 / Tk Lira)

PACIFIC

JAPAN (Dec 27 / Yen)

HONG KONG (Dec 27 / H.K.$)

INDONESIA (Dec 27 / Rupiah)

MALAYSIA (Dec 27 / MYR)

NEW ZEALAND (Dec 27 / NZ $)

SINGAPORE (Dec 27 / S$)

AUSTRALIA (Dec 27 / Aust$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 27 / TW $)

THAILAND (Dec 27 / Baht)

AFRICA

SOUTH AFRICA (Dec 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 27 / Can $) 4 pm close

MONTREAL (Dec 27 / Can $) 4 pm close

INDICES

INDEX FUTURES

CAC-40 · DAX · OMX · SOFFEX

US INDICES

Dow Jones	Dec 26	Dec 22	Dec 21	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5110.28	5097.87	5059.53	5216.47 (13/12)	3832.08 (30/1)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	104.92	105.02	104.88	105.34 (11/12)	93.83 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1952.78	1964.83	1960.87	2082.11 (5/12)	1473.19 (3/1)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	223.84	223.45	223.28	223.84 (26/12)	183.83 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 2148.27 (5146.74) Low 5072.32 (5064.01) (Theoretical)
Day's high 5117.12 (5126.57) Low 5097.87 (5089.28) (Actual)

Standard and Poors	Dec 26	Dec 22	Dec 21	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite‡	614.53	611.95	610.49	621.69 (13/12)	459.11 (3/1)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials¶	720.82	718.44	716.41	731.85 (13/12)	545.28 (3/1)	731.85 (13/12/95)	3.62 (21/6/32)
Financial	61.60	61.20	60.98	63.85 (5/12)	41.84 (3/1)	63.85 (5/12/95)	8.64 (1/10/74)
NYSE Comp.	327.84	326.35	325.61	331.17 (13/12)	250.73 (3/1)	331.37 (13/12/95)	4.46 (25/4/42)
Amex Mkt Val	543.77	541.55	537.49	563.85 (12/9)	433.12 (6/1)	563.85 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1049.37	1046.86	1040.64	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Dec 22	Dec 15	Dec 8	Year ago
Dow Jones Ind. Div. Yield	2.31	2.27	2.27	2.78
	Dec 20	Dec 13	Dec 6	Year ago
S & P Ind. Div. yield	2.02	1.95	1.95	2.47
S & P Ind. P/E ratio	18.49	19.08	18.98	18.40

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Repsol ADS	8,256,900	32⅝	−⅛
Kmart	5,109,800	6½	−¼
Silicon Gphs	3,151,000	28½	−¼
Micron	2,214,100	43	−⅜
Walmart	2,146,500	22⅝	−⅛
Coca Cola	2,142,200	74⅝	+2⅝
Motorola	1,972,000	57⅝	+⅛
Merck	1,900,900	66¾	+1⅛
Telefonos	1,682,400	33⅞	+⅛
Texas Ins	1,456,400	53⅜	+2

TRADING ACTIVITY

Volume (million)

	Dec 26	Dec 22	Dec 21
New York SE	217.031	289.605	538.398
Amex	14.691	17.583	21.247
NASDAQ	344.024	431.758	544.751
NYSE			
Issues Traded	3,056	3,084	3,092
Rises	1,261	1,361	1,417
Falls	1,026	954	939
Unchanged	769	769	736
New Highs	152	186	170
New Lows	17	13	25

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	619.50	620.30	+0.75	620.85	619.45	18,000	190,500
Jun	626.30	626.40	+1.35	626.40	626.00	121	6,361

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20050.0	20020.0	+50.0	20070.0	19960.0	14,936	136,141
Jun	20030.0	20000.0	+70.0	20030.0	19990.0	122	15,175

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Wednesday, December 27, 1995

	Stocks Traded	Closing Prices	Change on day
Hanwa	30.5m	453	+18
Mitsui Eng	14.2m	288	+14
Nip Credit	12.3m	493	+25
Showa Line	10.7m	222	+7
Toshiba	9.5m	801	+6
Iseki	8.4m	488	+17
Kelsei Elec	6.2m	674	+35
Nip Steel	6.1m	351	+4
Daiwa Bank	6.0m	872	+31
Nip Hsg Loan	5.9m	47	−6

4 pm close December 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
21⅞	12½	AAR	0.48	2.3	25	38	21¼	20⅞	21	-⅛
46¾	38	AMP	0.92	2.4	16	3516	38½	37¾	38⅜	+¼
80¼	53⅞	AMR			17	5513	73¾	73	73⅝	+½
47⅞	35⅜	ASA	1.71	4.5	35	303	35	37½	37⅞	-¼
44¾	30¾	AbbtL	0.54	2.1	16	6841	41⅛	40¼	40¼	-⅝
18⅞	12	AbitbI Pr	0.48	2.8	7	1171	14⅝	14¼	14¼	-⅛
28½	21	ABM Ind	0.70	2.3	13	30	29	27⅞	27⅞	+⅛
17½	13⅛	Acptocain			19	150	19¼	18	15	-⅛
40	21⅞	ACE Ltd x	0.50	1.4	9	164	39¼	38	39¼	+⅛
9⅞	9⅜	ACM Gvt In x	0.48	5.2	6	748	9⅜	9⅛	9¼	
7¾	9½	ACM GvOpp	0.68	8.9		45	7⅜	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp	0.75	11.3		561	6⅝	6½	6½	-⅛
8¾	7¼	ACM Gvt Sa x	0.24	2.0		1521	8½	8¼	6⅜	
9½	7⅝	ACM Man	0.90	10.1		224	8	8⅞	8⅞	-⅛
29¼	10¼	AcmeClv	0.48	2.8	30	365	17¼	16⅞	17¼	+⅛
36¾	7⅞	Acme Elect			78	562	8½	8⅜	8½	+⅛
34½	23¾	Acordia	0.72	2.4	19	9	29¾	29½	29⅝	+⅛
16¾	10⅛	Acuson			38	436	12⅞	12⅛	12⅞	
19⅜	15⅝	Adams Expr	0.40	2.9	0	64	18¾	18½	18⅝	
38⅞	2⅞	AdvMic			8	4677	17⅜	16⅞	17	-¼
9¾	5	Advest Grp	0.16	1.9	11	56	8¾	8⅝	8⅝	-¼
27½	16½	Advo Inc x	0.19	0.4	19	150	26¼	25⅞	25⅞	-¼
49¼	24.80	Aegon	1.28	2.9	16	193	u44¼	43⅝	43¾	+½
5⅞	3⅜	Aerflx			9	273	4¼	4	4¼	+¼
76¾	46¼	AetnaL	2.76	3.9	33	2306	71⅛	70⅛	70½	-1⅜
44⅜	31⅞	Aflac	0.52	1.2	12	794	42⅝	42⅜	42⅝	+¼
28⅜	18	Ahmanso	0.88	3.3	9	1418	26⅝	26¼	26½	-⅜

Continued on next page

NYSE COMPOSITE PRICES

4 pm close December 27

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 27

AMEX COMPOSITE PRICES

4 pm close December 27

FINANCIAL TIMES Thursday December 28 1995

AMERICA

Fannie Mae climbs as Dow loses early gain

Wall Street

US stocks edged up early yesterday morning, but drifted back later in thin trading in the absence of any strong lead to set a direction for the market, *writes Richard Waters in New York.*

A firm bond market helped to lift the Dow Jooes Industrial Average by as much as 16 points in early trade. However, by 1 pm it had fallen back to 5,109.53, standing 0.73 point below its close oo Tuesday. A pull-back amoog technology stocks, meanwhile, led the Nasdaq composite down 1.42 to 1,047.95 at lunchtime, and the Standard & Poor's 500 was up just 0.31 at 614.61.

Among the biggest movers during the morning, shares in ooe of the US's largest financial institutions, the Federal National Mortgage Association, jumped by more than 3 per cent oo oews of a capital restructuring. Fannie Mae announced a $1bn share repurchase programme, to be funded through the issue of new preference stock, along with a four-for-ooe stock split.

The news lifted Fannie Mae's shares $4¼ during the morning to a new high of $123⅞ – even though the company also said that a contribution to its philanthropic foundation would result in a pre-tax charge of $350m for the final quarter of 1995.

On the Nasdaq, Cordis plummeted 11 per cent on an indication that the $1.8bn acquisition of the surgical products company by Johnson & Johnson could be in trouble. The coosumer products and healthcare giant delayed the completion of its due-diligence review of Cordis for another four weeks without giving any reasoo for the delay. At lunchtime, Cordis was trading at $95, a fall of $11½ on the day and well below the $109 a share value placed on the acquisition by J&J's all-stock bid.

Nasdaq also fielded another morning of gains for biotechnology shares, and losses among Internet and other computer-related stocks. The biotech sector, enjoying one of its periodic bounces, yielded several new highs. Amgen was up $1⅛ at $58¾, almost double its price at the start of the year.

Chiron advanced $1¾ to $113¼, while Biogen climbed another $2½ to $63.

Internet companies which yesterday morning gave up some of their recent gains included Spyglass, which fell $3 to $55¾, and Netcom, which was down $1⅞ at $40⅝. Netscape declined $2 to $141.

Canada

Torooto was weak in midday trade as investors returned from their Christmas break determined to take profits. The TSE 300 composite index gave up 16.65 by noon to 4,694.01 in volume of just 24.3m shares.

Weakness was seen in gold and base metal shares, as well as high-technology issues.

SOUTH AFRICA

Johannesburg ended a listless day softer, with industrials attracting little interest and golds virtually unchanged on a steady bullion price. The overall index lost 9.9 at 6,247.5, Industrials slipped 7.7 to 7,983.4 and golds eased 0.8 to 1,357.1. De Beers declined R1.25 to finish at R111.

EUROPE

Madrid indices take last minute tumble

Aoalysts were puzzled in MADRID where equities, after doing very little all day, plunged in the last few minutes of trading. The general index closed 6.84 or 2.1 per cent lower at 312.80, although there seemed nothing in the fundamentals to move it in that direction.

Traders explained that two or three houses started selling baskets of equities just before the close, in what appeared to be a derivatives-linked move designed to get the indices lower; the Ibex 35 dropped 2.7 per cent. Immediately after hours, a 1 per cent recovery in equity futures suggested that the design was strictly short term.

Huarte, the construction group at the centre of political corruption allegations earlier this year, and suspeoded last Friday ahead of a capital reconstruction, returned to trading and finished Pta65 or 11.7 per cent higher at Pta620; however, this compared with a year's peak of Pta1,345.

ZURICH was in an upbeat mood, the stable dollar, firming bond markets and the favourable start to trading on Wall Street helping the market to another all-time high. The SMI index rose 39.2 to 3,317.1.

Roche certificates climbed SFr225 to an historic peak of SFr9,170. Analysts, who said that there was no news to account for the rise, suggested that it might have been exaggerated by the day's low level of business.

Banks put in a positive performance, although a degree of window dressing was said to have been involved. UBS bearers moved forward SFr14 to SFr1,265.

Sulzer staged a strong comeback after spending much of the day in negative territory. The registered finished SFr17 higher at SFr670.

Swissair, which reported an improved financial performance for November, jumped SFr21 to SFr850.

Against the trend, Alusuisse declined SFr7 to SFr923, depressed by reports that analysts were worried about the group's long-term strategies.

AMSTERDAM majored on Royal Dutch and financials as the AEX index hit a new all-time closing high, 3.50 ahead at 485.02.

Product price rise prospects left the oil group Fl 3.10 stronger at Fl 225; in financials, ING rose Fl 1.60 to Fl 107.80. Polygram, the entertainment stock, was out of favour after last week's profits warnings, losing Fl 2 at Fl 83.80.

FRANKFURT traded in thin volume and in a narrow range, the Dax index closing just 0.37 lower at an Ibis-indicated 2,280.44. Turnover dropped from DM6.1bn to DM3.7bn.

Senior blue chips were among the most somnolent, Bayer easing 20 pfgs to DM384.50 as it said that it planned to shed about 1,000 jobs in Germany in 1996. Lower in the Dax 30 order, Schering fell just 43 pfgs to DM95.85 on the Shell Oil lawsuit alleging that the German group had improperly discounted more than $9m from royalties it owed Shell for the multiple sclerosis drug Betaseron.

Outside the 30, the engineer KHD shed 35 pfgs or 4 per cent to DM8.50 although it said it had insurance cover for a DM100m fire at one of its warehouses. In the construction sector, Philipp Holzmann rose DM15 or 2.9 per cent to DM530 on what looked like bottom-fishing.

PARIS saw the CAC-40 index rise 10.36 to 1,877.03, turnover staying low at FFr2.34bn, but the broad market was not tested: at the sharp end, Pechiney certificates and shares in its packaging unit Pechiney International fell FFr1.70 to FFr168 and FFr4.30 to FFr85.20 respectively.

Pechiney shares were being offered for both the certificates and the PI shares, in an exchange due to expire on January 9; analysts said yesterday that certificate holders might not want to waive their right to a guaranteed income, while the packaging company shareholders might not want to move into an aluminium group.

MILAN was helped higher by a rise in domestic boods and some buying ahead of the year-end, bot activity was limited as many investors awaited a clearer picture of the political outlook. The Comit index put on 4.47 at 587.85, while the real-time Mibtel index picked up 85 to 9,402.

Stet jumped L126 to L4,470 on hopes that its costly venture in Russia with Svyazinvest bad foundered, although the Italian telecommunications group said that it was still interested in taking a 25 per ceut stake.

Ferruzzi lost L26 to L1,030 on speculation that Mediobanca would avoid having to conduct a public buy offer for shares in the financial holding group by agreeing to sell its 9.9 per cent existing stake. Mediobanca improved L107 to L11,000.

STOCKHOLM balanced strengtb in forestries, up 3.1 per cent, and in Astra against weakness in Ericsson. The Affärsvärlden General index came ont a percentage point higher, up 17.6 at 1,726.4.

Astra A rose SKr5 to SKr264.50 after strength in US pharmaceuticals stocks on Tuesday. Ericsson B fell SKr2.50 to SKr130.50, brokers blaming a lack of overseas support for the telecoms favourite.

COPENHAGEN was supported by the performance of Tele Danmark, which climbed DKr8 or 2.7 per cent to DKr299 as part of the sector-wide correction to last week's falls which followed Nokia's reduced profits forecast.

The KFX top-20 index moved ahead 0.64 to 105.28, but trading was said to be very low.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Dec 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	close
FT-SE Eurotrack 100	1484.37	1485.00	1485.72	1485.98	1488.07	1489.39	1490.24	1490.10
FT-SE Eurotrack 200	1592.53	1594.99	1598.16	1600.93	1600.31	1601.20	1603.08	1602.58

	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18
FT-SE Eurotrack 100	1479.19	1465.57	1463.89	1450.49	1465.72
FT-SE Eurotrack 200	1587.34	1571.89	1565.70	1552.29	1570.79

Base 1000 (26/10/90); Highday 100 - 1490.76; 200 - 1603.57 Lowday 100 - 1483.97 200 - 1592.50 † Partial

Mexico supported by rates fall

Mexico City was higher in midday trade after a bigger than expected drop in *Cetes* rates, and a Telmex rate rise, spurred some buying after two days of mild declines. The IPC index had gained 6.39 at 2,831.

Dealers said that investors had reacted positively to a second straight drop in primary *Cetes* rates at tbe ceotral bank's weekly Treasury bill auction, late on Tuesday.

The mood was also cheered hy news from Telmex that it had received government permission to increase rates oo long distance calls hy an average of 19.5 per cent with effect from January 1. Telmex L shares, available to foreign investors, hardened 8 centavos to 12.76 pesos.

CARACAS continued to press ahead in lunchtime trade, after Tuesday's record close, as expectations of a deal betweeo the Veoezuelan government and the IMF in the new year gave a boost to the market.

The 19-share IBC index was 16.59 stronger at 2,006.95.

BUENOS AIRES had edged further ahead hy midday, belped hy lower US interest rates and the austerity package likely to be passed by Congress later in the day. The Merval index, which had advanced 8.3 per cent in the previous seveo sessions, was 0.49 firmer at 518.65.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Dec. 22 1995	% Change over week	% Change on Dec '94	Local currency terms Dec. 22 1995	% Change over week	% Change on Dec '94
Latin America	(251)	478.82	+5.0	-17.5			
Argentina	(30)	805.57	+10.9	+9.7	494,256.47	+10.9	+9.7
Brazil	(71)	308.38	+0.3	-19.8	1,118.16	+0.6	-8.2
Chile	(36)	759.84	+6.1	-3.1	1,238.79	+5.1	-1.7
Colombia[1]	(16)	594.27	+2.6	-26.8	1,035.66	+3.4	-13.4
Mexico	(67)	466.57	+8.9	-23.3	1,516.92	+5.9	+17.5
Peru[2]	(19)	198.01	+7.4	+11.0	278.37	+5.4	+17.0
Venezuela[3]	(12)	336.13	+0.9	-32.1	2,548.73	+2.1	+31.9
Asia	(677)	232.24	+0.9	-6.9			
China[4]	(20)	53.46	-3.2	-29.5	56.15	-3.1	-30.6
South Korea[5]	(159)	127.57	-7.3	-6.7	129.56	-6.9	-8.6
Philippines	(25)	254.19	+2.6	-14.7	322.34	+2.8	-8.3
Taiwan, China[6]	(93)	111.47	+6.3	-32.2	114.21	+6.2	-29.6
India[7]	(101)	80.79	-0.4	-34.6	100.37	-0.2	-27.1
Indonesia[8]	(42)	111.52	-0.2	+11.8	138.61	-0.2	+16.4
Malaysia	(114)	271.16	+1.4	+0.8	254.00	+1.4	+0.3
Pakistan[9]	(36)	237.03	+5.0	-35.3	368.29	+5.0	-28.0
Sri Lanka[10]	(19)	103.18	-0.6	-40.0	119.76	-0.8	-35.4
Thailand	(68)	378.81	+1.3	-1.2	378.75	+1.4	-0.9
Euro/Mid East	(208)	143.47	+0.4	+21.1			
Greece	(40)	236.58	-0.5	+4.8	381.49	-0.5	+3.6
Hungary[11]	(5)	98.15	-10.2	-35.3	161.31	-9.6	-21.9
Jordan	(8)	185.06	+2.7	+23.4	278.20	+2.7	+24.2
Poland[12]	(16)	429.54	-0.7	-8.5	668.43	-3.1	-7.2
Portugal	(26)	113.82	+1.7	-6.0	117.90	+0.7	-11.0
South Africa[13]	(64)	259.90	+0.5	+15.6	196.51	+0.3	+3.9
Turkey[14]	(44)	117.59	-0.1	-3.4	3,159.36	+1.7	+42.8
Zimbabwe[15]	(5)	272.87	-1.0	+11.5	374.25	-0.6	+24.2
Composite	(1136)	278.17	+1.8	-9.5			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date, Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

Two more emerging stock markets are planning to encourage foreign companies to list on their exchanges. South Korea is to permit foreign companies to list from next May, in the form of depositary receipts, hnt the applicants will have to meet strict qualifications. Bndapest also plans to begin trading in foreign stocks before June of 1996. Mr Janos Szaz, the stock exchange president,said that he planned to attract not only Austrian and German stocks, hut also Polish, Czech and Slovak companies.

Sonth Korea's finance ministry said yesterday that its decision was in line with its efforts to internationalise the market and to smooth Seoul's admlssion tn the Organisation for Economic Co-operation and Development. Foreign eqnity related honds are also to be allowed to list from May 1 and a stock index futures market is to he launched on May 3.

Some analysts, however, are sceptical whether many foreign companies will want to join the market, which currently has 721 listed companies and a market capitalisation of Won140,000hn.

Seoul has had a difficult year, with the composite index losing 12.9 per cent during 1995. Foreign investors hecame net hnyers when the authorities raised the ceilings on nverseas hnldings in listed companies in July. Bnt they became sellers in November when the country was hit hy political scandals that saw two former presidents placed under detention and the heads of some of the largest conglomerates facing legal action.

ASIA PACIFIC

Winning streak lifts Nikkei above 20,000

Tokyo

Active purchases hy individuals supported technical activity, taking the Nikkei average above the 20,000 level for the first time in 14 months, *writes Emiko Terazono in Tokyo.*

The 225-share index ended 107.04 up at a day's high of 20,011.76, exteoding its winning streak to a sixth session. Higher futures prices in Chicago overnight and a rise on Wall Street set the tone. Many overseas investors were absent, but arbitrage linked index buying and purchases by individual investors was accompanied by broker buying on tbe first trading day for January contracts.

Volume totalled 550m shares, against 391m. The Topix index of all first section stocks rose 8.59 to 1,585.87 and the Nikkei 300 put on 1.16 at 297.64. Advances led falls by 714 to 320, with 167 issues unchanged.

In Loodon the ISE/Nikkei 50 index firmed 0.86 to 1,385.31.

Some brokers said the year-eod rally boded well for the oext year. "The recovery after the plunge in the summer means that the optimists have cooquered the pessimists," said a Japanese analyst.

On the trading floor, mining stocks advanced oo hopes that the accideot at Monju, the fast breeder reactor in western Japan, would prompt more use of coal for power generatioo. Mitsui Mining rose Y9 to Y467 and Mitsui Matsushima, whicb sells coal, Y38 to Y445.

Individual investors cbased fishery shares and shipping issues, old speculative favourites. Nippoo Suisan gained Y6 at Y426 and Mitsui OSK Lines Y5 at Y314. Hanwa, the steel trading company, was the day's most active issue, climbing Y18 to Y453. Iseki, tbe farming machinery maker, rose Y17 to Y488 and Keisei Electric Railway Y35 to Y874.

Oil shares were higher on a rise in crude oil prices. Nippoo Oil jumped Y19 to Y629 and Cosmo Oil Y15 to Y557.

Brokers, which had gained ground on expectations of higher earnings thanks to rising trading volume on the stock market, fell on profit-taking. Nomura Securities dipped Y40 to Y2,270.

In Osaka, the OSE average moved up 195.77 to 21,468.70.

Roundup

There was high volume but low investment interest in MANILA, where the composite index fell 32.14 or 1.25 per cent to 2,533.39. Brokers reported some profit-taking ahead of the year-end; a rise in turnover from 2.34bn pesos to 2.735bo was attributed to block trades.

TAIPEI's weighted index dropped 33.82 to 5,071.55 in thin turnover of T$30bn. A late morning decision by the central bank to scrap a US$3bn limit on companies repatriating funds raised abroad through convertible boods and global depositary receipts failed to boost the market.

HONG KONG, suffering from post-holiday torpor, ended below the 10,000 level in spite of last Friday's prime rate cut. The Hang Seng index rose a modest 53.03 to 9,985.23.

Hutchisoo put oo another 50 cents to HK$46.70 on bopes that its container port and British telecoms operations would be spun off. Hopewell, under considerable selling pressure earlier this month following a rash of negative stories about its infrastructure projects and debt burden, rallied 27.5 cents to HK$4.30 on the view that it had bottomed.

SEOUL closed the last trading day of the year slightly higher after institutions, inteot on giving their portfolios a boost, stepped in with block trades to push share prices up. The composite index added 6.57 at 882.94. Samsung Electronics was boosted in late trade, rising Won3,500 to Wou141,000.

The short-term finance sector ended the session 2.2 per ceot weaker, after a poor performance this year.

SINGAPORE saw some 8.9m Scotts shares change hands oo nnconfirmed rumours tbat a third party was showing interest in the compaoy. Scotts, which has beeo engaged in a dispute between the controlling family over shareholdings in the property and retailing concern, led the actives list as it gained 14 cents at S$1.25.

The Straits Times Industrial index shed 5.51 to 2,271.35.

KARACHI climbed ou oew account buying on the first day of a long clearing week ending oo January 8, and in anticipation of heavy foreign buying early next year. The KSE 100 index rose 13.02 to 1,510.61.

Dewan Salman Fibre put on PRs4.65 at PRs81.40 in a more positive response to its 30 per cent gain in net profits; PTC firmed PRs0.25 to PRs30.70.

SHANGHAI's B share index recovered further oo bargain bunting, moving forward 0.518 or 1.1 per ceot to 47.769 in 3m shares traded worth $1.2m.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 26 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 25 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	189.77	0.0	180.94	122.83	141.41	170.50	0.0	3.93	189.71	182.46	122.92	142.05	170.50	191.65	157.95	172.59
Austria (26)	173.28	0.5	165.19	112.14	129.10	129.03	-0.0	1.62	172.42	165.83	111.71	129.10	129.03	199.28	167.48	178.45
Belgium (34)	206.77	0.3	187.15	133.83	154.08	150.49	0.0	3.48	206.16	198.28	133.57	154.36	150.48	206.77	166.52	166.85
Brazil (28)	139.87	0.5	133.17	90.40	104.08	248.33	0.5	1.77	139.05	133.71	90.08	104.10	248.00	163.17	86.06	158.25
Canada (101)	148.87	0.3	142.03	96.42	111.00	146.76	-0.0	2.54	148.53	142.85	96.24	111.21	146.76	150.83	121.81	129.33
Denmark (33)	284.42	0.5	271.18	184.09	211.93	214.75	0.0	1.52	282.96	272.14	183.34	211.87	214.75	295.99	244.27	244.27
Finland (25)	188.15	0.6	179.39	121.78	140.20	171.12	0.0	1.87	187.11	179.96	121.23	140.10	171.12	276.11	171.13	180.54
France (100)	177.72	0.3	169.45	115.03	132.43	136.95	-0.3	3.21	177.25	170.47	114.84	132.72	137.39	191.17	157.79	165.65
Germany (59)	164.84	0.5	157.17	106.70	122.83	122.83	0.0	1.96	164.05	157.78	106.29	122.83	122.83	167.74	139.11	139.96
Hong Kong (55)	382.09	0.1	364.31	247.31	284.72	379.39	0.1	3.85	381.62	367.03	247.26	285.75	378.88	389.39	277.40	330.11
Ireland (16)	253.11	0.8	241.33	163.83	188.61	222.09	0.0	3.45	251.10	241.50	162.69	188.01	222.09	260.87	202.40	202.40
Italy (59)	72.42	0.3	69.05	46.88	53.97	85.67	0.0	1.70	72.24	69.47	46.80	54.09	85.67	82.71	65.45	74.09
Japan (483)	156.27	0.8	149.00	101.15	118.45	101.15	0.5	0.75	155.40	149.46	100.69	116.36	100.69	164.82	136.95	155.99
Malaysia (108)	479.47	-1.1	457.16	310.34	357.29	468.95	-1.0	1.76	484.58	466.05	313.97	362.83	473.66	561.96	398.16	485.15
Mexico (18)	1068.82	0.8	1019.07	691.80	796.44	8822.90	0.9	1.58	1060.22	1019.66	686.93	793.83	8740.25	1460.58	647.81	1460.58
Netherland (19)	270.40	0.5	257.81	175.02	201.49	199.04	0.0	3.30	269.14	256.85	174.38	201.52	198.04	270.40	212.55	212.55
New Zealand (14)	78.63	0.1	74.97	50.88	58.59	64.05	0.0	4.53	78.55	75.55	50.90	58.82	64.05	85.48	69.74	71.22
Norway (33)	226.70	0.5	216.15	146.73	168.93	194.63	0.0	2.15	225.67	217.04	146.22	168.97	194.63	243.79	202.78	207.69
Singapore (44)	406.50	-0.8	387.58	263.11	302.91	264.97	-1.0	1.52	410.00	394.32	265.65	306.99	267.54	414.26	313.94	374.99
South Africa (45)	388.01	0.0	369.95	251.14	289.13	310.61	0.0	3.81	388.12	373.27	251.47	290.60	310.61	392.04	281.06	333.57
Spain (38)	164.81	0.2	167.13	106.67	122.81	151.82	-0.1	3.95	164.51	158.22	106.59	123.18	152.00	164.81	124.10	134.34
Sweden (47)	307.33	0.4	293.60	199.31	229.46	302.35	0.0	1.99	306.77	295.04	198.77	229.70	302.35	321.99	228.09	229.65
Switzerland (40)	232.90	0.4	222.06	150.75	173.55	165.99	0.0	1.59	231.92	223.05	150.26	173.66	166.99	232.90	162.35	163.11
Thailand (46)	168.96	0.0	161.09	109.36	125.90	165.05	-0.1	2.47	169.03	162.56	109.52	126.56	165.18	184.55	130.15	157.63
United Kingdom (206)	228.92	0.8	218.27	148.17	170.59	218.27	0.0	4.02	226.95	218.27	147.04	169.93	218.27	228.92	191.53	193.80
USA (640)	250.42	0.4	238.76	162.09	186.60	250.42	0.4	2.25	249.44	239.90	161.62	186.77	249.44	253.50	187.76	188.14
Americas (787)	228.37	0.4	217.74	147.81	170.17	191.91	0.4	2.25	227.48	218.79	147.39	170.32	191.17	230.76	173.81	174.53
Europe (735)	199.47	0.6	190.18	129.10	148.63	168.87	0.0	3.03	198.36	190.77	128.52	148.52	168.94	199.47	167.08	167.55
Nordic (138)	272.54	0.4	259.65	176.40	203.09	231.11	0.0	1.81	271.36	260.98	175.82	203.18	231.11	295.02	220.71	220.71
Pacific Basin (831)	166.18	0.4	158.44	107.56	123.83	111.35	0.3	1.18	165.48	159.15	107.22	123.90	110.98	171.87	145.93	163.68
Euro-Pacific (1566)	179.84	0.5	171.56	116.46	134.08	133.23	0.2	2.04	179.07	172.22	116.02	134.07	133.02	179.94	154.73	165.20
North America (741)	244.14	0.4	232.78	158.02	181.92	243.47	0.4	2.26	243.20	233.89	157.57	182.09	242.55	246.93	184.12	184.49
Europe Ex. UK (529)	179.18	0.4	170.84	115.97	133.52	141.89	-0.1	2.47	178.49	171.67	115.65	133.65	141.87	179.46	149.53	149.82
Pacific Ex. Japan (348)	262.41	-0.2	250.20	169.85	195.54	231.60	-0.2	3.20	263.05	252.99	170.44	196.96	232.18	286.72	211.19	240.33
World Ex. US (1758)	180.94	0.5	172.52	117.11	134.83	137.02	0.2	2.08	180.09	173.20	116.68	134.84	136.81	180.94	155.42	166.38
World Ex. UK (2192)	199.44	0.4	190.15	129.09	148.61	164.88	0.3	1.96	198.66	191.06	128.71	148.74	164.41	199.44	163.46	170.52
World Ex. Japan (1915)	228.10	0.4	217.48	147.64	169.97	213.26	0.2	2.60	227.19	218.50	147.20	170.11	212.85	228.28	181.60	183.34
The World Index (2398)	202.04	0.4	192.64	130.77	150.55	169.65	0.3	2.15	201.16	193.47	130.34	150.62	169.22	202.04	165.92	172.57

Markets Open 26/12/95: Brazil, France, Japan, Malaysia, Mexico, Singapore, Spain, Thailand and USA. Latest prices were unavailable for this edition